

**LEGISLATIVE BUDGET BOARD**  
**Austin, Texas**

**FISCAL NOTE, 83RD LEGISLATIVE REGULAR SESSION**

**April 1, 2013**

**TO:** Honorable Harvey Hilderbran, Chair, House Committee on Ways & Means

**FROM:** Ursula Parks, Director, Legislative Budget Board

**IN RE: HB2712** by Perez (Relating to the exemption from ad valorem taxation of energy storage systems used for the control of air pollution in a nonattainment area.), **As Introduced**

**To the extent that the energy storage systems exempted under the bill are not already eligible for a property tax exemption under the existing pollution control property exemption, the bill's proposed exemption of certain energy storage systems used to comply with the regulations of an environmental protection agency would create a cost to the state through the operation of the school finance formula.**

The bill would amend Chapter 11, Tax Code, by adding Section 11.315, that would require the property tax exemption of an energy storage system that is used, constructed, acquired, or installed wholly or partly to meet or exceed rules or regulations adopted by any local, state or federal environmental protection agency for the prevention, monitoring, control, or reduction of air pollution and that:

- 1) is located in a federal nonattainment area;
- 2) has a capacity of at least 10 megawatts; and
- 3) is installed on or after January 1, 2014.

The bill would define "energy storage system" as a device capable of storing energy to be discharged at a later time, including a chemical, mechanical, or thermal storage device.

The bill would amend Section 26.012, Tax Code to require the deduction of the value of qualified energy storage systems from the current total value used in effective tax rate calculations in the first year they are exempt.

The bill would amend Chapter 42, Education Code, and Section 403.302, Tax Code, to ensure that school districts are fully reimbursed by the state for revenue lost to the proposed energy storage system exemption.

To the extent that the energy storage systems exempted under the bill are not already eligible for a property tax exemption under the existing pollution control property exemption (Section 11.31, Tax Code), the bill's proposed exemption of certain energy storage systems used to comply with the regulations of an environmental protection agency would create a cost to units of local government and to the state through the operation of the school finance formula. Under current law, pollution control exemption applications are reviewed and approved or denied by the Texas Commission on Environmental Quality. The exemption proposed by the bill would be reviewed and approved or denied by the local chief appraiser.

Nineteen Texas counties are currently designated by the United States Environmental Protection Agency as air quality nonattainment areas. The bill would limit the proposed exemption to these counties. No information is available, however, regarding the amount of energy storage system value that would be exempt in the future that would not already be eligible for a pollution control exemption under current law. Consequently, the fiscal impact cannot be estimated.

The bill would take effect on January 1, 2014.

### **Local Government Impact**

To the extent that the energy storage systems exempted under the bill are not already eligible for a property tax exemption under the existing pollution control property exemption, the bill's proposed exemption of certain energy storage systems used to comply with the regulations of an environmental protection agency would create a cost to units of local government.

**Source Agencies:** 304 Comptroller of Public Accounts

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