

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 83RD LEGISLATIVE REGULAR SESSION

April 17, 2013

TO: Honorable Tommy Williams, Chair, Senate Committee on Finance

FROM: Ursula Parks, Director, Legislative Budget Board

IN RE: SB1529 by West (Relating to an exemption from property taxation for certain facilities that convert landfill generated methane into renewable natural gas.), **As Introduced**

Passage of the bill would exempt property used as part of, or in connection with, a renewable natural gas facility to produce and process landfill gas. As a result, taxable property values would be reduced and the related costs to the Foundation School Fund could be increased through the operation of the school finance formulas.

The bill would amend Chapter 11 of the Tax Code to provide a property tax exemption for real and personal property owned or leased by a person that is used as part of, or in connection with, a renewable natural gas facility to produce renewable natural gas which collectively is a facility, device, or method for the control of air, water, or land pollution.

The bill would define renewable natural gas as gas derived from and collected at a landfill that has been processed by a renewable natural gas facility to meet certain specified standards. A renewable natural gas facility would be defined as the real and personal property used to accomplish the collection, compression, transport, and processing of landfill gas into renewable natural gas either into a pipeline or by delivery to a methane fueling station if the refueling station is in close proximity. The bill lists the kinds of property included in a renewable natural gas facility that would be exempt. The bill would make a conforming Tax Code change.

The bill's exemption of property used as part of, or in connection with, a renewable natural gas facility to produce and process landfill gas would cause a fiscal impact on units of local government and the state through the operation of the school finance formulas.

Information from the Texas Commission on Environmental Quality indicates that one company filed an application for a pollution control property exemption determination on methane capture and associated equipment that did not qualify for the pollution control exemption under current law (Section 11.31, Tax Code) but would be likely to qualify under the bill. The company's reported cost of this property was about \$10 million. At a typical school district tax rate the initial property tax revenue loss to a school district, should this amount be exempted, would be about \$130 thousand with a large fraction of this revenue loss being transferred to the state through the operation of the school finance formula. The actual amount of property that would eventually qualify for future property tax exemptions under the bill is unknown. Consequently, the fiscal impact cannot be estimated.

The bill would take effect immediately upon enactment, assuming that it received the requisite

two-thirds majority votes in both houses of the Legislature. Otherwise, it would take effect September 1, 2013. The bill would apply to exemption applications under existing Section 11.31 of the Tax Code that are pending on the bill's effective date.

Local Government Impact

Passage of the bill would exempt property used as part of, or in connection with, a renewable natural gas facility to produce and process landfill gas. As a result, taxable property values and the related ad valorem tax revenue for units of local government could be reduced.

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Source Agencies: 304 Comptroller of Public Accounts

LBB Staff: UP, KK, SD, SJS