

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 84TH LEGISLATIVE REGULAR SESSION

April 6, 2015

TO: Honorable Dennis Bonnen, Chair, House Committee on Ways & Means

FROM: Ursula Parks, Director, Legislative Budget Board

IN RE: HB3689 by Gonzales, Larry (Relating to the temporary exemption of certain tangible personal property related to a data center from the state sales and use tax.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for HB3689, As Introduced: a negative impact of (\$13,500,000) through the biennium ending August 31, 2017.

General Revenue-Related Funds, Five-Year Impact:

Fiscal Year	Probable Net Positive/(Negative) Impact to General Revenue Related Funds
2016	(\$5,900,000)
2017	(\$7,600,000)
2018	(\$7,600,000)
2019	(\$9,300,000)
2020	(\$11,000,000)

All Funds, Five-Year Impact:

Fiscal Year	Probable Revenue (Loss) from <i>General Revenue Fund</i> 1
2016	(\$5,900,000)
2017	(\$7,600,000)
2018	(\$7,600,000)
2019	(\$9,300,000)
2020	(\$11,000,000)

Fiscal Analysis

The bill would amend Section 151.359 of the Tax Code, regarding sales and use taxation of certain data centers.

Section 151.359(a)(2) would be amended to reduce the minimum size of a qualifying data center from 100,000 square feet of space in a single building to 50,000 square feet, and to apply the definition of a qualifying data center to one located in the state on or after September 1, 2013.

Sections 151.359(d) and (f) would be amended to reduce the job creation requirement for a qualifying data center from 20 to 15 jobs, and to reduce the minimum required capital investment over a five-year period from \$200 million to \$100 million.

This bill would take effect immediately upon enactment, assuming it received the requisite two-thirds majority votes in both houses of the Legislature. Otherwise, it would take effect September 1, 2015.

Methodology

Data on the composition of data center infrastructure and electricity costs obtained from industry sources was used to model expected annual expenditures by data centers that would be subject to tax under current law but that would be exempt under provisions of the bill. It is expected that on average one new data center that would meet or exceed the 50,000 square foot minimum and the five year \$100 million minimum capital investment commitment would occur each year under current law, without the provision of the tax incentive proposed in the bill.

Because the provisions of the bill apply to a data center located in the state after September 1, 2013, the fiscal implications will be the same regardless of the effective date.

Local Government Impact

No fiscal implication to units of local government is anticipated.

Source Agencies: 304 Comptroller of Public Accounts

LBB Staff: UP, KK