

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 87TH LEGISLATIVE REGULAR SESSION

April 11, 2021

TO: Honorable Morgan Meyer, Chair, House Committee on Ways & Means

FROM: Jerry McGinty, Director, Legislative Budget Board

IN RE: HB3795 by Button (Relating to the exemption from ad valorem taxation for certain solar or wind-powered energy devices.), **As Introduced**

Passage of the bill would clarify that the appraised value of a solar or wind-powered energy device that is primarily used for production and distribution of energy for onsite use is exempt from the property tax. As a result, taxable property values could 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, regarding taxable property and exemptions, to clarify a person is entitled to an exemption of the amount of appraised value of real property owned by the person attributed to the installation or construction of a solar or wind-powered energy device on the property used primarily for energy production for on-site use. The bill would specify a person is entitled to an exemption from taxation of the appraised value of a solar or wind-powered energy device owned by the person regardless of whether the person owns the real property on which the device is installed or constructed.

Current law regarding the exemption does not differentiate between real property and ownership to qualify and whether the value of the device itself is included in “value that arises from the installation or construction” of the device. To the extent that exemptions are currently being denied or do not include all eligible value and more would be granted under the bill's provisions, further reducing taxable values, there would be a cost to local taxing units and to the state through operation of the school funding formulas. The number and value of additional exemptions that might be granted under the bill's provisions is unknown. Consequently, any fiscal impact on units of local government cannot be estimated.

The 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, 2021.

Local Government Impact

Passage of the bill would clarify that the appraised value of a solar or wind-powered energy device that is primarily used for production and distribution of energy for onsite use is exempt from the property tax. As a result, taxable property values and related ad valorem tax revenue for units of local government could be reduced.

Source Agencies: 304 Comptroller of Public Accounts

LBB Staff: JMc, KK, SD, BRI