

## **BILL ANALYSIS**

Senate Research Center  
89R2669 CJD-D

S.B. 214  
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Finance  
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### **AUTHOR'S / SPONSOR'S STATEMENT OF INTENT**

In his State of the State address, Governor Greg Abbott said, as part of his plans to make current homes more affordable, Texas should offer tax exemptions on home improvements, like heating and air conditioning. In executing this request, the state has an additional opportunity to save long-term costs to consumers, save electricity, and, consequently, enhance the reliability of Texas' electrical grid.

To determine the efficiency of appliances like heating, ventilation, and air conditioning systems (HVAC), the U.S. Department of Energy (DOE) uses the Seasonal Energy Efficiency Ratio (SEER). An appliance's SEER is the ratio of the total heat removed from a conditioned space during the cooling season to the total electrical energy consumed during the same period of time. To distinguish the most efficient HVAC systems, the DOE uses the Energy Star certification to indicate a specific product is in the top 25% most efficient systems. Energy Star certified products have demonstrated the ability to save costs for consumers and electricity for the grid.

According to price index data from the U.S. Bureau of Labor Statistics, the price of HVAC and commercial refrigeration equipment has increased 42.57% since 2020. Energy Star certified products can offset some of these cost increases. According to 2023 Energy Star Annual Overview Report, nationwide savings due to use of these products was \$42 billion, while a typical household can save about \$450 on their energy bills each year without sacrificing quality and performance.

Savings in electricity usage are also notable. According to the 2023 Energy Star Annual Overview Report, nationwide electricity savings due to these products was 520 billion kilowatt-hours (KWh). Texas has also specifically benefitted from the use of these products. A major electricity provider which serves the Greater Houston area is an Energy Star partner. In 2016, according to an Energy Star state profile, this electricity provider saved nearly 40,000 megawatt-hours (MWh), equivalent to the electricity use of more than 2,900 homes and increased demand savings by 18% compared to 2015 levels. Over the span on this partnership, Energy Star certified products have cumulative verified meter savings of 500,000 MWh for CenterPoint Energy since 2001.

The execution of the governor's plan to increase affordability for current homes can be extended well beyond the initial tax exemption by using Energy Star certified products. As an unintended benefit, the use of these products can ease the energy load on the Texas electric grid.

S.B. 214 will offer an 18-month exemption on the sale and use taxes on the sale and installation of certain residential heating, ventilation, and air conditioning systems (HVAC). The qualifying system and services must be used for the purchaser's primary single-family residence, be designated as an Energy Star qualified product, and be installed by a person who is a licensed HVAC contractor.

If the cost of installation is not included in the sales price of an HVAC system, the cost of installation may be exempted from sales and use taxes if the installation occurs within 90 days after the date of the sale.

The exemption from sales and use taxes does not apply to HVAC systems installed in a rental or commercial property and for structures constructed within the year prior to the date of the sale.

The Comptroller of Public Accounts will be required to prescribe and make available on its website an exemption certificate on which a person can certify a sale satisfies the conditions of this chapter. For a sale to be exempted, the purchaser must provide the exemption certification at the time of sale. If an individual who receives an exemption uses the system or installation services covered under this chapter, the purchaser is liable for payment of the sales and use taxes incurred on the original sale price for the system or installation.

As proposed, S.B. 214 amends current law relating to a temporary exemption from sales and use taxes for certain residential heating, ventilation, and air conditioning systems and installation services.

### **RULEMAKING AUTHORITY**

This bill does not expressly grant any additional rulemaking authority to a state officer, institution, or agency.

### **SECTION BY SECTION ANALYSIS**

SECTION 1. Amends Subchapter H, Chapter 151, Tax Code, by adding Section 151.360, as follows:

Sec. 151.360. TEMPORARY EXEMPTION FOR CERTAIN RESIDENTIAL HEATING, VENTILATION, AND AIR CONDITIONING SYSTEMS. (a) Provides that, subject to the conditions of this section, the sale and installation of a residential heating, ventilation, and air conditioning system is exempted from the taxes imposed by Chapter 151 (Limited Sales, Excise, and Use Tax) if, except as provided by Subsection (b), the sale takes place on or after March 1, 2026, and before September 1, 2027, and the system is used for the purchaser's primary single-family residence, has a minimum Seasonal Energy Efficiency Rating (SEER) of 14 SEER, is designated as an Energy Star qualified product under the Energy Star program jointly operated by the United States Environmental Protection Agency and the United States Department of Energy, and is installed by a person licensed under Subchapter F (Air Conditioning and Refrigeration Contractors) or G (Municipal Licensing and Regulation), Chapter 1302 (Air Conditioning and Refrigeration Contractors), Occupations Code, to engage in air conditioning and refrigeration contracting.

(b) Provides that, if the cost of installation is not included in the sales price of a residential heating, ventilation, and air conditioning system described by Subsection (a), the sales price of the installation is exempted from the taxes imposed by this chapter if the installation occurs not later than the 90th day after the date of the sale of the system.

(c) Provides that this section does not apply to the sale and installation of a residential heating, ventilation, and air conditioning system that is installed or intended to be installed in a rental or commercial property or structure or improvement that is constructed less than one year before the date of the sale.

(d) Requires the Comptroller of Public Accounts of the State of Texas (comptroller), not later than November 1, 2025, to prescribe and make available on the comptroller's Internet website an exemption certificate on which a person can certify and attest that a sale satisfies the conditions of Subsection (a) or (b), as applicable, and is a sale to which this section applies.

(e) Requires the purchaser, for a sale to be eligible for the exemption provided by this section, to provide to the seller at the time of the sale a completed and signed exemption certificate described by Subsection (d). Provides that a sale is not exempt under this section, and the seller is required to collect any tax imposed under this chapter, if the purchaser does not provide an exemption certificate in the manner described by this subsection.

(f) Provides that, if a purchaser who gives an exemption certificate under Subsection (e) makes any use of the heating, ventilation, and air conditioning system or installation services that does not qualify for the exemption provided by this section, the purchaser is liable for payment of the sales tax on the original purchase price of the system or installation.

(g) Provides that this section expires December 31, 2027.

SECTION 2. Effective date: upon passage or September 1, 2025.