

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 89TH LEGISLATIVE REGULAR SESSION

March 30, 2025

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

FROM: Jerry McGinty, Director, Legislative Budget Board

IN RE: HB2962 by Barry (Relating to an exemption from taxes imposed on the gross receipts of electricity sold to political subdivisions.), As Introduced

Estimated Two-year Net Impact to General Revenue Related Funds for HB2962, As Introduced: a negative impact of (\$33,000,000) through the biennium ending August 31, 2027.

General Revenue-Related Funds, Five- Year Impact:

<i>Fiscal Year</i>	Probable Net Positive/(Negative) Impact to <i>General Revenue Related Funds</i>
2026	(\$16,300,000)
2027	(\$16,700,000)
2028	(\$17,100,000)
2029	(\$17,500,000)
2030	(\$17,900,000)

All Funds, Five-Year Impact:

<i>Fiscal Year</i>	Probable Revenue Gain/(Loss) from <i>General Revenue Fund 1</i>	Probable Revenue Gain/(Loss) from <i>Foundation School Fund 193</i>
2026	(\$12,200,000)	(\$4,100,000)
2027	(\$12,500,000)	(\$4,200,000)
2028	(\$12,800,000)	(\$4,300,000)
2029	(\$13,100,000)	(\$4,400,000)
2030	(\$13,400,000)	(\$4,500,000)

Fiscal Analysis

The bill would exempt gross receipts from the sale of electricity to all political subdivisions from the miscellaneous gross receipts tax (MGRT), also known as the Gas, Electric and Water Utility Tax. Currently, only gross receipts from the sale of electricity to public school districts are exempt.

The bill includes provisions that would require adjustment of the billings of political subdivision customers by electric utilities and retail electric providers to reflect any decrease in tax liability attributable to the exemption.

Methodology

This analysis assumes “political subdivision” includes counties, municipalities, and any other kind of special

district. School districts are excluded from the analysis, as sales of electricity to those customers are already exempted from the MGRT.

Data from selected political subdivisions' budgets – available online – were used and extrapolated to estimate total political subdivision spending on electricity. The amount was reduced to account for sales of electricity by municipally-owned utilities and electric cooperatives, who are not subject to the MGRT; then multiplied by the appropriate MGRT rates (0.581 percent, 1.07 percent, or 1.997 percent), based on Comptroller and Census data regarding the distribution of those tax rates to yield the estimated total MGRT tax loss due to the provisions of the bill. This estimate was then apportioned between General Revenue Fund 0001 and GR Account 0193-Foundation School, according to the MGRT's allocation of revenue under Section 3, Article 7, of the Texas Constitution.

Local Government Impact

The bill would exempt gross receipts from the sale of electricity to all political subdivisions from the miscellaneous gross receipts tax. Currently, only gross receipts from the sale of electricity to public school districts are exempt. Implementing the provisions of the bill would result in savings to units of local government.

Source Agencies: 304 Comptroller of Public Accounts

LBB Staff: JMc, KK, SD, BRI