

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 89TH LEGISLATIVE REGULAR SESSION

April 21, 2025

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

FROM: Jerry McGinty, Director, Legislative Budget Board

IN RE: HB4382 by Darby (Relating to an exemption from sales and use taxes for certain tangible personal property used in hydraulic fracturing.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for HB4382, As Introduced: a negative impact of (\$42,450,000) 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	(\$19,240,000)
2027	(\$23,210,000)
2028	(\$23,760,000)
2029	(\$24,110,000)
2030	(\$24,860,000)

All Funds, Five-Year Impact:

<i>Fiscal Year</i>	Probable Revenue (Loss) from <i>General Revenue Fund 1</i>	Probable Revenue (Loss) from <i>Cities</i>	Probable Revenue (Loss) from <i>Transit Authorities</i>	Probable Revenue (Loss) from <i>Counties & Special Districts</i>
2026	(\$19,240,000)	(\$3,520,000)	(\$1,170,000)	(\$870,000)
2027	(\$23,210,000)	(\$4,250,000)	(\$1,410,000)	(\$1,050,000)
2028	(\$23,760,000)	(\$4,350,000)	(\$1,440,000)	(\$1,070,000)
2029	(\$24,110,000)	(\$4,410,000)	(\$1,460,000)	(\$1,090,000)
2030	(\$24,860,000)	(\$4,550,000)	(\$1,510,000)	(\$1,120,000)

Fiscal Analysis

The bill would exempt tangible personal property (TPP) specifically used to process, reuse, or recycle water used for hydraulic fracturing, other than freshwater. Current law states TPP used for the processing, reuse, or recycling of wastewater is exempt.

The bill would define freshwater as water containing less than 1,000 milligrams per liter of total dissolved solids.

The bill would take effect September 1, 2025.

Methodology

Comptroller records regarding the amount of sales tax remitted by companies that provide the water treatment services described by the bill were used as the base for the estimates below, grown by the anticipated gross state product for the mining sector found in the *2026-27 Biennial Revenue Estimate*, and adjusted for the effective date of the bill.

Local Government Impact

There would be a corresponding loss of sales and use tax revenue from local taxing jurisdictions displayed in the tables above.

Source Agencies: 304 Comptroller of Public Accounts

LBB Staff: JMc, KK, SD