

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 89TH LEGISLATIVE REGULAR SESSION

April 27, 2025

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

FROM: Jerry McGinty, Director, Legislative Budget Board

IN RE: HB4725 by Money (Relating to a sales tax exemption for the sale, lease, or installation of distributed energy systems for residential and business use.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for HB4725, As Introduced: a negative impact of (\$122,190,000) through the biennium ending August 31, 2027.

General Revenue-Related Funds, Six- Year Impact:

<i>Fiscal Year</i>	<i>Probable Net Positive/(Negative) Impact to General Revenue Related Funds</i>
2025	(\$4,570,000)
2026	(\$57,470,000)
2027	(\$60,150,000)
2028	(\$62,690,000)
2029	(\$65,870,000)
2030	(\$68,870,000)

All Funds, Six-Year Impact:

<i>Fiscal Year</i>	<i>Probable Revenue (Loss) from General Revenue Fund 1</i>	<i>Probable Revenue (Loss) from Cities</i>	<i>Probable Revenue (Loss) from Transit Authorities</i>	<i>Probable Revenue (Loss) from Counties & Special Districts</i>
2025	(\$4,570,000)	(\$840,000)	(\$280,000)	(\$210,000)
2026	(\$57,470,000)	(\$10,520,000)	(\$3,490,000)	(\$2,590,000)
2027	(\$60,150,000)	(\$11,010,000)	(\$3,650,000)	(\$2,710,000)
2028	(\$62,690,000)	(\$11,520,000)	(\$3,820,000)	(\$2,840,000)
2029	(\$65,870,000)	(\$12,050,000)	(\$3,990,000)	(\$2,970,000)
2030	(\$68,870,000)	(\$12,600,000)	(\$4,180,000)	(\$3,110,000)

Fiscal Analysis

The bill would exempt distributed energy systems, as defined by the bill, and equipment necessary to support the operation of a system from sales and use taxes.

The bill would require the system be primarily designed and used to supply electricity to a structure or facility located in this state.

The bill would direct the Comptroller to adopt rules to implement and administer the new section.

The bill would take effect July 1, 2025.

Methodology

The bill would exempt distributed energy systems, defined in the bill as a device or system that generates electricity solely for on-site use, including solar energy; wind energy; natural gas; hydrogen; methane; propane; battery storage; or liquid fuels.

Because the bill states items would be eligible for exemption if they are solely for on-site use, this analysis assumes the items described by the bill would not be exempt if they are purchased to be installed on a structure connected to the grid.

Information regarding the revenue from sales of such equipment was used as the basis of this analysis, apportioned to Texas, adjusted to account for the equipment installed for on-site electricity supply, multiplied by the state tax rate, and extrapolated forward.

Local Government Impact

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

Source Agencies: 304 Comptroller of Public Accounts

LBB Staff: JMc, KK, SD