

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 89TH LEGISLATIVE REGULAR SESSION

April 8, 2025

TO: Honorable Joan Huffman, Chair, Senate Committee on Finance

FROM: Jerry McGinty, Director, Legislative Budget Board

IN RE: SB214 by West (Relating to a temporary exemption from sales and use taxes for certain residential heating, ventilation, and air conditioning systems and installation services.), As Introduced

Estimated Two-year Net Impact to General Revenue Related Funds for SB214, As Introduced: a negative impact of (\$43,290,000) 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	(\$14,340,000)
2027	(\$28,950,000)
2028	\$0
2029	\$0
2030	\$0

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	(\$14,340,000)	(\$2,620,000)	(\$870,000)	(\$650,000)
2027	(\$28,950,000)	(\$5,300,000)	(\$1,760,000)	(\$1,310,000)
2028	\$0	\$0	\$0	\$0
2029	\$0	\$0	\$0	\$0
2030	\$0	\$0	\$0	\$0

Fiscal Analysis

This bill would create a temporary exemption from sales and use taxes for certain residential heating, ventilation, and air conditioning systems and installation services.

The bill would exempt certain residential heating, ventilation, and air conditioning (HVAC) systems from sales tax for a specified period. HVAC units, as defined by the bill, sold between March 1, 2026 and September 1, 2027 would be exempt from sales and use taxes provided they are for use in the purchaser's primary single-family residence; have has a minimum Seasonal Energy Efficiency Rating (SEER) of 14; designated as an Energy Star qualified product under the Energy Star program; and installed by a qualified person as stipulated in the bill.

The provisions of the bill would not apply to a rental or commercial property, or a structure or improvement

that is constructed less than one year before the date of the sale.

The bill would require the Texas Comptroller of Public Accounts (CPA), not later than November 1, 2025, to prescribe and make available on the CPA website an exemption certificate on which a person can certify and attest that a sale of a HVAC unit meets the criteria contained in the bill. This certificate would be presented to a seller at the time of purchase to receive the exemption.

The provisions of the bill would expire on December 31, 2027.

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, 2025.

Methodology

Information from the United States Department of Energy regarding the number of units that meet the eligibility requirements of the bill were obtained, apportioned to Texas, multiplied by the average sales and price, and adjusted for the exemption period outlined in the bill.

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