

## **BILL ANALYSIS**

C.S.H.B. 2709  
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Ways & Means  
Committee Report (Substituted)

### **BACKGROUND AND PURPOSE**

According to interested parties, many states currently provide significant economic incentives to attract large data center projects that generate significant economic activity in the cities and states in which they are located and have recently come to represent a growing market segment in the technology industry. The parties suggest that Texas is well-positioned to attract large data center projects due to its strong infrastructure, major population centers, educated workforce, and favorable construction costs and permitting process. The goal of C.S.H.B. 2709 is to create a competitive environment in which Texas can become a leader in this segment of the technology industry.

### **CRIMINAL JUSTICE IMPACT**

It is the committee's opinion that this bill does not expressly create a criminal offense, increase the punishment for an existing criminal offense or category of offenses, or change the eligibility of a person for community supervision, parole, or mandatory supervision.

### **RULEMAKING AUTHORITY**

It is the committee's opinion that this bill does not expressly grant any additional rulemaking authority to a state officer, department, agency, or institution.

### **ANALYSIS**

C.S.H.B. 2709 amends the Tax Code to include in the definition of "qualified property," as it relates to a limitation on the appraised value for property tax purposes of property used to create jobs under the Texas Economic Development Act, certain tangible personal property that is first placed in service in a new building, in a newly expanded building, or in or on a certain new improvement or that is first placed on the land on which that new building or new improvement is located to replace personal property ancillary and necessary to the business conducted in that new building or in or on that new improvement that has a useful life of less than five years. The bill includes a large data center project among the uses of property qualifying an entity for such a limitation.

### **EFFECTIVE DATE**

On passage, or, if the bill does not receive the necessary vote, September 1, 2015.

### **COMPARISON OF ORIGINAL AND SUBSTITUTE**

While C.S.H.B. 2709 may differ from the original in minor or nonsubstantive ways, the following comparison is organized and formatted in a manner that indicates the substantial differences between the introduced and committee substitute versions of the bill.

INTRODUCED

No equivalent provision.

HOUSE COMMITTEE SUBSTITUTE

SECTION 1. Section 313.021(2), Tax Code, is amended to read as follows:

(2) "Qualified property" means:

(A) land:

(i) that is located in an area designated as a reinvestment zone under Chapter 311 or 312 or as an enterprise zone under Chapter 2303, Government Code;

(ii) on which a person proposes to construct a new building or erect or affix a new improvement that does not exist before the date the person submits a complete application for a limitation on appraised value under this subchapter;

(iii) that is not subject to a tax abatement agreement entered into by a school district under Chapter 312; and

(iv) on which, in connection with the new building or new improvement described by Subparagraph (ii), the owner or lessee of, or the holder of another possessory interest in, the land proposes to:

(a) make a qualified investment in an amount equal to at least the minimum amount required by Section 313.023; and

(b) create at least 25 new qualifying jobs;

(B) the new building or other new improvement described by Paragraph (A)(ii); and

(C) tangible personal property:

(i) that is not subject to a tax abatement agreement entered into by a school district under Chapter 312;

(ii) for which a sales and use tax refund is not claimed under Section 151.3186; and

(iii) except for new equipment described in Section 151.318(q) or (q-1), that:

(a) is first placed in service in the new building, in the newly expanded building, or in or on the new improvement described by Paragraph (A)(ii), or on the land on which that new building or new improvement is located, if the personal property is ancillary and necessary to the business conducted in that new building or in or on that new improvement; or

(b) is first placed in service in the new building, in the newly expanded building, or in or on the new improvement described by Paragraph (A)(ii), or on the land on which that new building or new improvement is located to replace personal property described by Sub-subparagraph (a)

SECTION 1. Section 313.024(b), Tax Code, to read as follows:

Sec. 313.024. ELIGIBLE PROPERTY. (a) This subchapter and Subchapter C apply only to property owned by an entity subject to the tax imposed by Chapter 171.

(a-1) Expired.

(b) To be eligible for a limitation on appraised value under this subchapter, the entity must use the property for:

- (1) manufacturing;
- (2) research and development;
- (3) a clean coal project, as defined by Section 5.001, Water Code;
- (4) an advanced clean energy project, as defined by Section 382.003, Health and Safety Code;
- (5) renewable energy electric generation;
- (6) electric power generation using integrated gasification combined cycle technology;
- (7) nuclear electric power generation;
- (8) a computer center primarily used in connection with one or more activities described by Subdivisions (1) through (7) conducted by the entity; [ø]
- (9) a Texas priority project; or
- (10) a large data center project, as defined by Section 151.3595(d)(2)(B), Tax Code.

SECTION 2. Section 313.024(e), Tax Code, is amended by adding Subdivision (8) to read as follows:

(8) "Large data center project" means an establishment primarily engaged in providing electronic data processing and information storage.

SECTION 3. (a) Except as provided by Subsections (b) of this section, Chapter 313, Tax Code, as amended by this Act, applies only to an application filed under that chapter on or after the effective date of this Act. An application filed under that chapter before the effective date of this Act is governed by the law in effect on the date the application was filed, and the former law is continued in effect for that purpose.

(b) An application for a valuation limitation to a local school district on or after March 1, 2015, pursuant to an application filed under Chapter 313, Tax Code, before the effective date of this Act may condition

that has a useful life of less than five years.

SECTION 2. Section 313.024(b), Tax Code, is amended to read as follows:

(b) To be eligible for a limitation on appraised value under this subchapter, the entity must use the property for:

- (1) manufacturing;
- (2) research and development;
- (3) a clean coal project, as defined by Section 5.001, Water Code;
- (4) an advanced clean energy project, as defined by Section 382.003, Health and Safety Code;
- (5) renewable energy electric generation;
- (6) electric power generation using integrated gasification combined cycle technology;
- (7) nuclear electric power generation;
- (8) a computer center primarily used in connection with one or more activities described by Subdivisions (1) through (7) conducted by the entity; [ø]
- (9) a Texas priority project; or
- (10) a large data center project as defined by Section 151.3595.

No equivalent provision.

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eligibility for the valuation limitation, as applicable, on compliance with the provisions of that chapter, as amended by this Act.

SECTION 4. This Act takes effect immediately if it receives a vote of two-thirds of all the members elected to each house, as provided by Section 39, Article III, Texas Constitution. If this Act does not receive the vote necessary for immediate effect, this Act takes effect September 1, 2015.

SECTION 3. Same as introduced version.