

Texas

Energy Credits

Texas Comptroller Recommends Cancellation of Wind Energy Incentives

The Texas Comptroller of Public Accounts calls for an end to tax credits for wind energy in Texas, claiming that they give wind energy an unfair advantage over other power sources, in a recently released report. [Tex. Comp. of Pub. Accts., *Texas Power Challenge*, 9/23/14]

The report, entitled *Texas Power Challenge*, details the cost in state and federal incentives for wind energy in comparison to the amount of power generated. The report also specifically calls into question the reliability of wind energy during peak consumption, which is important because Texas has the highest energy consumption of any state in the United States.

"The look of the energy generation portfolio is very different from the way it looked two decades ago," Chris Bryan, spokesperson for the Comptroller's Office, said. "Part of the reason for that is direct subsidies for wind generation and policies to expand the transmission network to serve wind farms. And that's given wind an advantage in the energy marketplace and allowed wind to mature," he added.

Texas Wind Incentives. Much of the infrastructure was provided by the creation of Competitive Renewable Energy Zones, a project approved by the Texas Legislature in 2005 and completed earlier this year. The multibillion dollar project created nearly 3,600 miles of transmission lines to carry wind energy from areas of West Texas and the Panhandle to cities in the more populated eastern portion of the state, according to the report.

Companies in Texas are able to claim wind energy incentives under the Texas Economic Development Act (TEDA), which allows school districts to offer property tax limitations and credits for certain kinds of projects. Although these projects are not limited to wind energy, 76 of the 128 projects approved under TEDA are wind energy projects, according to the report.

"There is a discussion about incentives in general going on in the legislature, so I think the comptroller felt it was important for legislators to have this information as they begin the discussions heading into the next legislative session," Bryan said.

"It is time for the wind industry to stand on its own feet," the report states. "Texas has the highest megawatt production for wind in the country," Bryan said. "The incentives have built this industry into a mature segment," he added.

Contrasting Views. But some feel that wind energy still needs tax incentives to thrive. "Without the government-sponsored incentive programs, there are no feet to stand on," Michael Lateur, the Director of Specialty Tax at Duff & Phelps in Austin, said via e-mail. "Texas leads the country in wind production capacity, and economic development incentives are vital for the wind energy to remain competitive," he added.

"Any major overhauls to the programs in place that would negatively affect the renewable industry would have a major impact on future investment and production in the state," Lateur said.

Other Wind Incentives. In addition to the limitations and credits under TEDA, Texas has other incentives for wind energy. Texas companies may be able to receive wind incentives in the form of property tax abatements under the Texas Redevelopment and Tax Abatement Act. In addition, Texas provides a property tax exemption for the installation and construction of a solar or wind-powered energy device. Many Texas wind projects were funded by the federal renewable electricity production tax credit, which expired at the end of 2013.

The Texas Power Challenge report is available online at <http://www.window.state.tx.us/specialrpt/electricity/>.

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□ For a discussion of the Texas Economic Development Act incentives in Texas, see 1480-2nd T.M., *Credits and Incentives: OR Through WY*, at 1480.12.J.

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