

**LEGISLATIVE BUDGET BOARD**

**Austin, Texas**

**FISCAL NOTE, 82ND LEGISLATIVE REGULAR SESSION**

**April 15, 2011**

**TO:** Honorable Harvey Hilderbran, Chair, House Committee on Ways & Means

**FROM:** John S O'Brien, Director, Legislative Budget Board

**IN RE: HB1733** by Ritter (Relating to the appraisal for ad valorem tax purposes of open-space land devoted to water stewardship purposes on the basis of its productive capacity.), **As Introduced**

**No fiscal implication to the State is anticipated.**

The bill would amend Chapter 23 of the Tax Code, regarding property taxation appraisal methods and procedures, to add "water stewardship" to the list of land uses that may qualify for productivity appraisal. The bill would define water stewardship as actively using land in three out of a list of seven activities to promote and sustain water quality and conservation of water resources; or maintaining a water right on deposit in the Texas Water Trust in accordance with Section 15.7031 of the Water Code; or holding a water right that authorizes the use of water for instream flows dedicated to environmental needs or bay and estuary inflows as provided by Section 11.0237 of the Water Code. To qualify for water stewardship use the land would be required to be appraised as qualified open-space or timber land at the time the water stewardship use began, at the time a water right was deposited in the Texas Water Trust, or at the time a water right was amended to authorize the use of water for instream flows dedicated to environmental needs or bay and estuary inflows.

The bill would require the State Soil and Water Conservation Board, with the assistance of the Comptroller's Office, to develop as soon as practicable after January 1, 2012, standards for determining whether land qualifies under water stewardship for appraisal. As soon as practicable after January 1, 2012, the Comptroller's Office by rule would be required to adopt the standards developed by the State Soil and Water Conservation Board and distribute those rules to each appraisal district.

The bill would add an exception to the ineligibility of land located inside an incorporated city or town, for land that is used for water stewardship and has been devoted principally to agricultural use or to production of timber or forest products continuously for the preceding five years.

The amount of acreage affected by the proposed water stewardship productivity appraisal cannot be estimated because, unlike regular agriculture or timber production, water stewardship has no definite relationship to land acreage. These provisions could cause a shift of an unknown amount of acreage from agricultural or timber use to water stewardship use but because a reduced appraised value is already in place on these acres, there would be no effect on appraised values. As a result, the bill's proposed addition of water stewardship to the list of land uses that may qualify for productivity appraisal would not create a fiscal impact to units of local government or to the state.

The Comptroller's office indicates that there would be a one-time administrative cost of \$73,000 in FY 2012 related to hiring 1 FTE to oversee and coordinate the various activities and parties involved in adoption of a new type of qualification for open space land valuation.

The bill would take effect January 1, 2012, contingent on the passage of a constitutional amendment.

**Local Government Impact**

No fiscal implication to units of local government is anticipated.

**Source Agencies:** 304 Comptroller of Public Accounts

**LBB Staff:** JOB, KK, SD, SJS