

## LEGISLATIVE BUDGET BOARD

Austin, Texas

### FISCAL NOTE, 82ND LEGISLATIVE REGULAR SESSION

April 23, 2011

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

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

**IN RE: SB449** by Watson (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 Engrossed**

**No significant 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 nine activities to promote and sustain water quality and conservation of water resources. 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.

The bill would require the Parks and Wildlife Department, with the assistance of the Comptroller's Office, to develop standards for determining whether land qualifies for appraisal under water stewardship. The standards would be required to specify minimum and maximum acreages; specify water related attributes based on intensity of use and land productivity; require that the owner of the land hold a water right that authorizes the use of a specified minimum amount of water for dedicated instream flows; specify the degree to which the land may be developed; and address allowable activities, the region in which the land is located and other relevant factors. The bill would require that the standards limit eligibility to the portion of the tract of land that is currently devoted principally to use for water stewardship. The Comptroller would be required to adopt by rule the standards developed by the Parks and Wildlife Department, or alternate standards, and distribute them to appraisal districts. Appraisal districts would be required to apply the standards.

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. However, land would be ineligible for special appraisal under water stewardship if it is developed to a degree that precludes the land from eligibility on a basis other than water stewardship.

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 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