

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 83RD LEGISLATIVE REGULAR SESSION

May 9, 2013

TO: Honorable Allan Ritter, Chair, House Committee on Natural Resources

FROM: Ursula Parks, Director, Legislative Budget Board

IN RE: HB1173 by Anchia (Relating to a local option exemption from ad valorem taxation of the portion of the appraised value of a person's property that is attributable to the installation on the property of certain water conservation systems.), **Committee Report 1st House, Substituted**

Passage of the bill would cause a revenue loss to taxing units that adopt the proposed property tax exemption. To the extent that school districts adopt the proposed property tax exemption, the bill would cause a revenue loss to the state through the operation of the school funding formula.

The bill would amend Chapter 11 of the Tax Code, regarding property taxation, taxable property and exemptions, to add new Section 11.325 to permit a taxing unit's governing body to adopt a property tax exemption for a portion of the appraised value of property that is attributable to the installation on the property of a drip irrigation system or a rainwater harvesting system. The bill would define a "drip irrigation system" and a "rainwater harvesting system."

The bill would amend Section 403.302(d), Government Code, to deduct the exemption amount from the school district's property value determined in the Comptroller's property value study which is used in the state's school funding formula.

The bill would cause a revenue loss to taxing units that adopt the proposed property tax exemption. To the extent that school districts adopt the proposed property tax exemption the bill would cause a revenue loss to the state through the operation of the school funding formula. Because the future actions of taxing units in adopting the optional exemption cannot be predicted, and the actual number of future drip irrigation systems and rainwater harvesting systems that would be installed in taxing units offering the optional exemption is unknown, the fiscal impact cannot be estimated.

The bill would take effect on January 1, 2014.

Local Government Impact

Passage of the bill would cause a revenue loss to local taxing units that adopt the proposed property tax exemption. As a result, taxable property values and the related ad valorem tax revenue for units of local government could be reduced.

Source Agencies: 304 Comptroller of Public Accounts

LBB Staff: UP, SZ, SD, SJS