

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 83RD LEGISLATIVE REGULAR SESSION

April 1, 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 credit against the ad valorem taxes imposed on property on which certain water conservation systems have been installed.), **As Introduced**

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

The bill would amend Section 31, Tax Code, to permit a taxing unit's governing body to adopt a property tax credit that would partially offset the cost of a property owner's installation of a drip irrigation system or a rainwater harvesting system. The bill specifies the method of computing the tax credit and provides a maximum credit of \$2,500 for a drip irrigation system and \$5,000 for a rainwater harvesting system. Each taxing unit that has adopted the tax credit would provide part of the credit in the same proportion as the property tax the taxing unit imposes on the property to the total property tax imposed by all the taxing units that have adopted the tax credit.

A property owner would receive the credit only in the tax year following the year the qualifying system was installed except that the remainder of a property tax credit that exceeds the total property tax imposed by a taxing unit may be carried forward to the following tax year.

The bill would require an application for the property tax credit and specify the application contents and procedures.

The bill would amend Section 403.302(d), Government Code, to require the Comptroller to impute a value loss related to a school district property tax credit. The value loss would be deducted 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 credit. To the extent that school districts adopt the proposed property tax credit 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 tax credit 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 tax credit 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 credit. 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