

**LEGISLATIVE BUDGET BOARD**  
**Austin, Texas**

**FISCAL NOTE, 83RD LEGISLATIVE REGULAR SESSION**

**April 21, 2013**

**TO:** Honorable Tommy Williams, Chair, Senate Committee on Finance

**FROM:** Ursula Parks, Director, Legislative Budget Board

**IN RE:** **SB1779** by Zaffirini (Relating to ad valorem tax incentives for the recycling of water used in oil or gas drilling or production.), **As Introduced**

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

The bill would amend Section 311.010(b), Tax Code, to include facilities that recycle water used in oil or gas production in the existing list of property types or activities that may be included in a tax increment reinvestment zone agreement, and be paid for from a tax increment fund.

The bill would amend Section 312.204(a), Tax Code, to include the construction of a facility to recycle water used in oil or gas drilling or production as a condition under which the property owner may receive a city property tax abatement not to exceed ten years. An owner of a leasehold interest in tax exempt real property would also be eligible for a city tax abatement if the owner constructs a facility that recycles water used in oil or gas production.

The bill's provisions allowing the inclusion of oil and gas water recycling facilities in tax increment reinvestment zone agreements and allowing cities to grant abatements on such property would create a cost to units of local government. School districts, however, are not allowed to participate in abatement agreements, and no value would be deducted in the Comptroller's school district property value study for any new payments into tax increment funds, so the abatement provision would have no effect on a school district or to the state through the operation of the school finance formula.

Information about the number and value of oil and gas water recycling facilities that would be included as part of future tax increment reinvestment zone agreements or city tax abatements is unavailable. Consequently, the fiscal impact on units of local government cannot be estimated.

The bill would take effect on September 1, 2013.

**Local Government Impact**

The bill's provisions allowing the inclusion of oil and gas water recycling facilities in tax increment reinvestment zone agreements and allowing cities to grant abatements on such property would create a cost to units of local government. School districts, however, are not allowed to participate in abatement agreements, so the abatement provision would have no effect on school districts.

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

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