

## **BILL ANALYSIS**

C.S.H.B. 40  
By: Zwiener  
Ways & Means  
Committee Report (Substituted)

### **BACKGROUND AND PURPOSE**

Currently, private property owners in Texas have little fiscal incentive to develop rainwater harvesting and graywater reuse systems. In fact, there are often fiscal disincentives, because after expending funds to install a water conservation system, property owners may then be taxed on the value of that system. The Tax Code exempts the construction and installation of solar panels on private property from property taxes. This encourages and supports the development of solar energy throughout Texas. In August 2022, the U.S. Drought Monitor indicated that 68 percent of Texas was in extreme drought conditions. Despite the continuing threat of more droughts, Texas lacks a similar tax exemption for rainwater harvesting and graywater reuse systems that would aid water conservation. Although current law exempts the sale of rainwater harvesting equipment and supplies from sales taxes, this one-time tax exemption does not meet the same level of tax relief that exists for solar panels and leaves in place a fiscal disincentive against widespread adoption of these systems.

C.S.H.B. 40 seeks to remove the disincentive that currently exists for landowners by allowing a county commissioners court to adopt a property tax exemption, applicable to the taxation of property by each taxing unit that taxes the property, for the installation of rainwater harvesting and graywater reuse systems in or on private property. By promoting the adoption of these systems, property owners would contribute to statewide water conservation efforts and would lessen the strain on water reserves during times of drought.

### **CRIMINAL JUSTICE IMPACT**

It is the committee's opinion that this bill does not expressly create a criminal offense, increase the punishment for an existing criminal offense or category of offenses, or change the eligibility of a person for community supervision, parole, or mandatory supervision.

### **RULEMAKING AUTHORITY**

It is the committee's opinion that this bill does not expressly grant any additional rulemaking authority to a state officer, department, agency, or institution.

### **ANALYSIS**

C.S.H.B. 40 amends the Tax Code to authorize a county commissioners court by order to adopt an exemption from taxation of the portion of the appraised value of a person's property that is attributable to the installation in or on the property of a rainwater harvesting or graywater system. Such an exemption adopted by a commissioners court applies to the taxation of property by each taxing unit that taxes the property. The bill defines "graywater" by reference as wastewater from clothes-washing machines, showers, bathtubs, hand-washing lavatories, and sinks that are not used for disposal of hazardous or toxic ingredients, not including wastewater that has come in contact with toilet waste, from the washing of material soiled with human excreta, or from sinks used for food preparation or disposal. The bill's provisions apply only to property taxes imposed for a tax year beginning on or after the bill's effective date.

### **EFFECTIVE DATE**

January 1, 2024, if the constitutional amendment that authorizes a county commissioners court to exempt from property taxation by each political subdivision that taxes the property of the portion of the assessed value of a person's property that is attributable to the installation in or on the property of a rainwater harvesting or graywater system is approved by the voters.

### **COMPARISON OF INTRODUCED AND SUBSTITUTE**

While C.S.H.B. 40 may differ from the introduced in minor or nonsubstantive ways, the following summarizes the substantial differences between the introduced and committee substitute versions of the bill.

Both the introduced and the substitute provide for an exemption from property taxation of the portion of the appraised value of a person's property that is attributable to the installation in or on the property of a rainwater harvesting or graywater system. However, the introduced entitled a person to such an exemption, whereas the substitute authorizes a county commissioners court by order to adopt such an exemption and makes an adopted exemption applicable to the taxation of property by each taxing unit that taxes the property. The substitute makes related changes to the description of the constitutional amendment on which the bill's effectiveness is contingent.