

LEGISLATIVE BUDGET BOARD

Austin, Texas

FISCAL NOTE, 88TH LEGISLATIVE REGULAR SESSION

May 6, 2023

TO: Honorable Morgan Meyer, Chair, House Committee on Ways & Means

FROM: Jerry McGinty, Director, Legislative Budget Board

IN RE: HB40 by Zwiener (relating to the authority of a county commissioners court to adopt an exemption from ad valorem taxation by each taxing unit that taxes the property of the portion of the appraised value of a person's property that is attributable to the installation in or on the property of certain water conservation systems.), **Committee Report 1st House, Substituted**

Passage of the bill would authorize the commissioners court of a county to adopt an exemption from ad valorem 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 that would apply to all taxing units that tax the property. As a result, taxable property values could be reduced and the related costs to the Foundation School Fund could be increased through the operation of the school finance formulas.

Contingent on the approval by voters of a related constitutional amendment (HJR 25), the bill would amend Chapter 11 of the Tax Code to authorize the commissioners court of a county, by order, to adopt 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. This exemption would apply to the taxation of property by each taxing unit that taxes the property. The bill would provide a definition for graywater.

To the extent the exemption would be adopted by county commissioners courts, it would reduce taxable property value and result in a cost to the state through operation of the school funding formulas. The exemption could reduce taxable values by significant amounts; however, suitable data for estimation has not been identified, and the number and identity of counties that might adopt the exemption is unknown.

The bill would take effect January 1, 2024, contingent on the approval by voters of a related constitutional amendment (HJR 25).

Local Government Impact

Contingent upon passage of a constitutional amendment, the bill would authorize the commissioners court of a county to adopt an exemption from ad valorem 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 that would apply to all taxing units that tax the property. As a result, taxable property values could be reduced. However, the no-new-revenue and voter-approval tax rates as provided by Section 26.04, Tax Code could be higher as a consequence of the reduction in taxable property value proposed by the bill.

Source Agencies: 304 Comptroller of Public Accounts

LBB Staff: JMc, KK, SD, BRI