

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 88TH LEGISLATIVE REGULAR SESSION

April 9, 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 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 certain water conservation systems.), **As Introduced**

Passage of the bill would provide 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. As a result, taxable property values would be reduced and the related costs to the Foundation School Fund would be increased through the operation of the school finance formulas.

Contingent on the approval by voters of a related constitutional amendment (HJR 25), this bill would amend Chapter 11 of the Tax Code, relating to Taxable Property and Exemptions, to add 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.

The bill's proposed exemption would be a cost to the state through operation of the school funding formulas. According to the Comptroller's office, the bill would likely reduce taxable values by significant amounts; however, suitable data for estimation has not yet been identified.

Local Government Impact

Contingent upon passage of a constitutional amendment, the bill would provide 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 which would reduce taxable value. 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