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| BILL ANALYSIS |

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| H.B. 3830 |
| By: Curry |
| Ways & Means |
| Committee Report (Unamended) |

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| **BACKGROUND AND PURPOSE** The bill author has informed the committee that major sole source impairment zones are areas where water resources are particularly vulnerable to contamination due to agricultural waste runoff and that these zones often contain concentrated animal feeding operations (CAFOs) that involve housing large numbers of livestock in confined spaces, which can generate significant agricultural waste that, if not managed properly, can pollute nearby water sources. H.B. 3830 seeks to mitigate pollution and contamination risks while incentivizing CAFO operators to manage waste in a more responsible manner by offering a franchise tax credit to CAFO operators that transport agricultural waste out of major sole source impairment zones.  |
| **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 rulemaking authority is expressly granted to the comptroller of public accounts in SECTION 1 of this bill. |
| **ANALYSIS** H.B. 3830 amends the Tax Code to make a taxable entity eligible for a franchise tax credit for certain watershed protection activities in the amount and under the conditions provided by the bill. The bill establishes that a taxable entity qualifies for such a credit if during the period covered by a report the taxable entity does the following:* operates a concentrated animal feeding operation:
	+ under a permit issued by the Texas Commission on Environmental Quality (TCEQ) under statutory provisions relating to the protection of certain watersheds; and
	+ that is located in a major sole source impairment zone; and
* transports agricultural waste outside of the major sole source impairment zone for disposal, use, or application to a waste management unit or waste application field located outside of the zone.

H.B. 3830 establishes that the amount of the franchise tax credit for a report is equal to the total costs of fuel, labor, and equipment used to transport waste as described by the bill's provisions during the period covered by the report. The bill caps the total amount of credit for a report, including the amount of any carryforward under the bill's provisions, at an amount not to exceed 50 percent of the franchise tax due for the report after all other applicable tax credits. The bill authorizes a taxable entity that is eligible for a credit that exceeds that limitation to carry the unused credit forward for not more than 10 consecutive reports and establishes that credits, including carryforwards, are considered to be used in the following order:* a credit carryforward under the bill's provisions; and
* a credit for the period on which the report is based.

H.B. 3830 prohibits a taxable entity from conveying, assigning, or transferring the tax credit allowed under the bill's provisions to another entity unless substantially all of the assets of the taxable entity are conveyed, assigned, or transferred in the same transaction. The bill requires a taxable entity to apply for such a credit on or with the report for the period for which the credit is claimed and to submit any information requested by the comptroller of public accounts to determine the entity's eligibility for the credit or the amount of the credit. H.B. 3830 requires the comptroller to do the following:* adopt rules and forms necessary to implement the bill's provisions;
* submit to the legislature and the governor, before the beginning of each regular session of the legislature, an estimate for the preceding fiscal biennium of:
	+ the total number of taxable entities that applied for a credit under the bill's provisions;
	+ the total amount of those credits received; and
	+ the total amount of credits carried forward; and
* provide the required estimate as part of the biennial report submitted by the comptroller to the legislature and the governor on the effect of certain tax provisions.

H.B. 3830 defines the following terms: * "agricultural waste" by reference to the meaning assigned by Water Code provisions relating to water quality control;
* "concentrated animal feeding operation" by reference to the meaning assigned by the Texas Administrative Code rule regarding concentrated animal feeding operations on the bill's effective date; and
* "major sole source impairment zone" by reference to the meaning assigned by Water Code provisions as they relate to the protection of certain watersheds with respect to a feeding operation confining cattle that have been or may be used for dairy purposes, or otherwise associated with a dairy, defining such a zone as a watershed that contains, as follows, a reservoir:
	+ that is used by a municipality as a sole source of drinking water supply for a population, inside and outside of its municipal boundaries, of more than 140,000; and
	+ at least half of the water flowing into which is from a source that, on the effective date of applicable state law, is on the list of impaired state waters adopted by the TCEQ as required by federal law:
		- at least in part because of concerns regarding pathogens and phosphorus; and
		- for which the TCEQ, at some time, has prepared and submitted a total maximum daily load standard.

H.B. 3830 expires December 31, 2035. This expiration expressly does not affect the carryforward of a credit under the bill's provisions for which an entity applies after the date the bill expires based on a cost for which a taxable entity became eligible for a credit before that date.H.B. 3830 applies only to a report originally due on or after the bill's effective date. |
| **EFFECTIVE DATE** January 1, 2026. |