

**SUBJECT:** Authorizing property tax exemption for rainwater or graywater systems

**COMMITTEE:** Ways & Means — committee substitute recommended

**VOTE:** 10 ayes — Meyer, Thierry, Button, Gervin-Hawkins, Hefner, Muñoz, Noble, Raymond, Shine, Turner

1 nay — Craddick

**WITNESSES:** For — J.D. Hale, Texas Association of Builders; Ken Flippin, US Green Building Council Texas Chapter (*Registered, but did not testify*: Sam Gammage, Dow; Jason Sabo, Environment Texas; Cyrus Reed, Lone Star Chapter Sierra Club; Adrian Shelley, Public Citizen; Carisa Lopez, Texas Freedom Network; Marie Camino, The Nature Conservancy Texas Chapter)

Against — None

On — (*Registered, but did not testify*: Allison Mansfield, Comptroller of Public Accounts)

**BACKGROUND:** Some have suggested that offering a property tax exemption for rainwater harvesting and graywater reuse systems could encourage more Texans to install such systems to improve water conservation and lessen the strain on water reserves during periods of drought.

**DIGEST:** CSHB 40 would allow the commissioners court of a county by order to adopt an exemption from taxation the portion of the appraised value of a person's property that would be attributable to the installation of a rainwater harvesting or graywater system. The exemption adopted by the commissioners court would apply to each taxing unit that taxed the property.

The bill would apply only to property taxes imposed for a tax year beginning on or after the effective date.

The bill would take effect January 1, 2024 if the constitutional amendment was approved by voters to authorize the commissioners court of a county to exempt from ad valorem taxation the portion of the assessed value of a person's property that was attributable to the installation in or on the property of a rainwater harvesting or graywater system.

NOTES:

CSHB 40 is the enabling legislation for CSHJR 25, which is also on the daily House calendar for second reading consideration today.

According to the Legislative Budget Board (LBB), as a result of the bill, 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. The LBB further identified that the bill would likely reduce taxable values by significant amounts, however suitable data for estimation has not yet been identified.