

SUBJECT: Property tax exemptions for water conservation initiatives

COMMITTEE: Ways and Means — favorable, without amendment

VOTE: 10 ayes — Craddick, Ramsay, Heflin, Holzheuser, Horn, Oliveira, Stiles, Telford, Thompson, Williamson

0 nays

1 absent — Grusendorf

SENATE VOTE: On final passage, May 5 — 30-0

WITNESSES: None

DIGEST: SJR 45 would amend the Texas Constitution to allow the Legislature to authorize any local taxing unit to grant an exemption or other relief from property taxes on property on which a water conservation initiative was implemented.

The proposal would be presented to voters at an election on November 4, 1997. The ballot proposal would read: “The constitutional amendment to authorize the Legislature to permit a taxing unit to grant an exemption or other relief from ad valorem taxes on property on which a water conservation initiative has been implemented.”

SUPPORTERS SAY: Allowing property tax exemptions for water conservation initiatives would provide a new water management option for local governments if they judged that additional water supplies would more than offset lost revenues from property taxes. SJR 45, if approved by the voters, would permit this purely local decision; the amendment would not mandate property tax exemptions but merely allow them as a local option.

Furthermore, SJR 45 would give local authorities full discretion to approve which conservation projects, if any, would qualify for a tax credit and the amount of the credit. Several years ago voters approved property tax exemptions for pollution control equipment as sound public policy. Ensuring adequate water supplies is another policy that should be

encouraged. The small loss of revenue from property tax exemptions granted for water conservation initiatives would be more than compensated for by the benefit to Texas water resources both on a local and a statewide scale.

SJR 45, if approved by the voters, would promote water conservation by providing incentives to landowners to invest in technology designed to conserve or reduce the use of limited water supplies. This is an important goal since increasing scarcity of water combined with explosive population growth in the state could reach crisis proportions in the next four decades. According to the Texas Water Development Board, almost every area of Texas will be short of water in the next 50 years, unless the state aggressively moves to develop and conserve its water supplies. Encouraging water conservation on the local level is one way to address the state's water problems. The solution requires that every community in Texas pitch in with different strategies appropriate to its area.

The exemption proposed by SJR 45 could be extensively used to promote water conservation within the agricultural sector, which currently accounts for over half of the water used in Texas. Helping farmers to install low evaporation irrigation systems or ranchers to build stock tanks instead of pumping water, for example, could save substantial amounts of water and have a significant impact on areas where groundwater supplies are at a critical level. Manufacturers, likewise, could use a local exemption to offset the cost of installing expensive equipment for treating their wastewater and then reusing it. This is a proven strategy for freeing up water for municipal and domestic use.

**OPPONENTS
SAY:**

While water conservation is a laudable goal, the state should not allow further property tax exemptions since these would reduce the amount of money available for financing local needs, including public schools. The Legislature should be stripping away special tax exemptions in order to broaden the local tax base rather than attempting to expand tax exemptions. Property tax exemptions merely shift the tax burden from one group of taxpayers to another.

The exemptions that could be granted under SJR 45 would create a loophole by which powerful businesses or agricultural interests could force local

governments in their area to give up vitally needed tax revenue that hard-pressed local jurisdictions could ill afford.

NOTES: SB 1, the implementing legislation for SJR 45, passed the House on second reading on May 22.