

**Bill Analysis and Fiscal Impact Report  
Taxation and Revenue Department**

**January 21, 2026**

**Bill:**  
HB-37

**Sponsor:**  
Representative Kathleen Cates

**Short Title:**  
Man-Made Water Infrastructure Failure

**Description:**  
This bill adds to the definition of “agricultural use” for property valuation purposes the resting of land as the direct result of a man-made infrastructure failure in a special water district when determining the special method of land valuation used primarily for agriculture purposes. The bill adds a definition of a special water district and provides requirements for the district that experiences a man-made infrastructure failure.

**Effective Date, Applicability, and Contingency Language:**  
Not specified or 90 days following adjournment (May 20, 2026). Applicable for tax years beginning on or after January 1, 2026.

**Taxation and Revenue Department Analyst:**  
Lucinda Sydow

**Estimated Revenue Impact\***

<b>FY26</b>	<b>FY27</b>	<b>FY28</b>	<b>FY29</b>	<b>FY30</b>	<b>Recurring or Non-Recurring</b>	<b>Fund(s) Affected</b>
Neutral impact – see narrative					R	Counties, Municipalities, Property Taxing Districts
Neutral impact – see narrative					R	State General Obligation Bond Fund

\* In thousands of dollars. Parentheses ( ) indicate a revenue loss.

**Methodology for Estimated Revenue Impact:**

Man-made infrastructure failures can vary by type, magnitude, and affect different areas of the State forming a distinct cluster of properties. Predicting the nature of those failures, their location, and the magnitude of their effects makes it challenging to calculate a fiscal impact. Any future fiscal impact on a county and other property taxing districts will depend on the random occurrence of these events and how the county would have valued the land in that case, absent this proposal. In theory, the fiscal impact would be neutral, as the land would retain its “agricultural use” valuation. In addition, if this bill results in lower valuations for some properties, it is likely that total revenue collected by any property taxing entity will be unchanged through yield control.

**Policy Issues:**

The bill intends to provide some property tax relief for taxpayers with agricultural land impacted by man-made infrastructure failures that could occur for any number of reasons. Weather disasters, aging infrastructure, and accidents could impact the infrastructure supplying water to land used for agricultural use in different areas of the State. Recently land in certain counties has been impacted by water system

failures that have negatively impacted taxpayers' use of the land for agricultural purposes. This bill would provide a consistent statewide policy for county assessors to follow in the event of such an occurrence.

**Technical Issues:**

**[Section 2]** The Taxation and Revenue Department (Tax & Rev) recommends that in Subsection A on page 7, line 3 the following be added after the word "continues", "and include the taxpayers and properties impacted by the failure." This list of taxpayers and associated properties will assure clarity for the county assessor when reviewing the annual property valuations.

**Other Issues:**

None.

**Administrative & Compliance Impact:**

Tax & Rev's Property Tax Division will review compliance by county assessors during the annual assessor evaluations.