BILL ANALYSIS

C.S.H.B. 1829
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Local Government Ways and Means
Committee Report (Substituted)

BACKGROUND AND PURPOSE

Currently the calculation of the tax rate for a taxing entity includes the total appraised value and all taxes imposed for all real property within the jurisdiction of that entity, even property taxes that the entity has agreed to pay into the tax increment fund for a reinvestment zone. This inclusion of all taxes results in a distortion in the calculation of the tax rate for the entire taxing entity, since reinvestment zones, by their definition, remove the incremental increase in value of property within their boundaries and reserve the resulting tax for improvements internal to the zone. Legislation was passed during the 77th legislative session to exclude "captured appraised value" and the resulting "tax increment" for property in reinvestment zones from tax rate calculations, but this exclusion was limited to counties with less than 500,000 population.

CSHB 1829 seeks to allow the "tax increment" exclusion to extend to all counties, regardless of their population.

RULEMAKING AUTHORITY

It is the committee's opinion that this bill does not expressly grant any additional rulemaking authority to a state officer, department, agency, or institution.

ANALYSIS

Section 1 amends Sections 26.03(b) and (d) of the Tax Code. Subsection (b) of the substitute states that this section does not apply to a school district. Subsection (d) of the substitute states that the portion of the tax increment is not excluded if in the same tax rate calculation, there is no portion of captured appraised value calculated from the value of property taxable by the unit under Subsection (c) for the same reinvestment zone.

EFFECTIVE DATE

January 1, 2004. The bill applies to the tax rate calculations under Chapter 26 of the Tax Code, for a taxing unit only for a tax year that begins on or after January 1, 2004.

COMPARISON OF ORIGINAL TO SUBSTITUTE

The committee substitute corrects the situation that occurs with TIF's (Tax Increment Financing) and the inclusion of School Districts.

As filed, the bill deleted Subsection (b) of Section 26.03 of the Tax Code. Such a repeal would have had the effect of making the Section apply to school districts, which was not the author's intent. The bill as filed would also have had the unintended consequence of including the portion of the tax increment the taxing unit had agreed to pay into the TIF to be included in the calculation of the tax rate under this Section, in the last year of the TIF.

The committee substitute corrects both of these unintended consequences by eliminating only the population bracket from Subsection (b) and amending Subsection (d) to provide that it does not apply if there is no value excluded under Subsection (c).