

By: Giddings

H.B. No. 2806

A BILL TO BE ENTITLED

AN ACT

relating to a pilot program creating reinvestment zones to promote the relocation of businesses to certain areas of this state.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF TEXAS:

SECTION 1. Subtitle G, Title 10, Government Code, is amended by adding Chapter 2312 to read as follows:

CHAPTER 2312. BUSINESS RECRUITMENT REINVESTMENT ZONES

SUBCHAPTER A. GENERAL PROVISIONS

Sec. 2312.001. DEFINITIONS. In this chapter:

(1) "Business" includes a part of the operations of a business entity.

(2) "Department" means the Texas Department of Economic Development.

(3) "Eligible business" means a business designated as an eligible business under Section 2312.102.

(4) "Relocate" means to establish a physical presence at a new location, including:

(A) the transfer of an existing business operation to a facility at a different location;

(B) the expansion of an existing business operation to an additional location; or

(C) the establishment of an office or plant at a different location.

(5) "Taxing unit" has the meaning assigned by Section

1 1.04, Tax Code.

2 (6) "Zone" means an area designated as a business  
3 recruitment reinvestment zone under this chapter.

4 Sec. 2312.002. REINVESTMENT ZONE. A zone is a reinvestment  
5 zone within the meaning of Section 1-g(a), Article VIII, Texas  
6 Constitution.

7 [Sections 2312.003-2312.050 reserved for expansion]

8 SUBCHAPTER B. CREATION OF ZONE

9 Sec. 2312.051. NOMINATION OF AREA. (a) An area may be  
10 nominated for designation as a zone only if each taxing unit located  
11 wholly or partly in the area enters into an agreement to nominate  
12 the area for designation as a zone.

13 (b) A taxing unit that is a party to an agreement under  
14 Subsection (a), singly or jointly with another taxing unit, may  
15 nominate an area for designation as a zone by submitting an  
16 application to the department.

17 (c) An application for designation as a zone shall contain:

18 (1) a copy of the agreement under Subsection (a);

19 (2) a map of the area showing existing streets and  
20 highways and the boundaries of the area;

21 (3) an analysis and appropriate supporting documents  
22 and statistics demonstrating that the area qualifies for  
23 designation as a zone;

24 (4) information demonstrating that an eligible  
25 business is likely to relocate to the area if the area is designated  
26 as a zone; and

27 (5) any other information required by the department.

1       Sec. 2312.052. DESIGNATION BY REVIEW BOARD. (a) A review  
2 board, composed of the members of the governing body of the  
3 department, shall review each application submitted by a taxing  
4 unit seeking designation as a zone.

5       (b) The review board must decide whether to designate an  
6 area as a zone before the 90th day after the date on which the  
7 application is submitted.

8       (c) The review board shall decide whether to designate an  
9 area as a zone based on:

10       (1) whether each taxing unit located wholly or partly  
11 in the area has entered into the agreement to nominate the area as  
12 required by Section 2312.051(a);

13       (2) whether the criteria for designation as a zone  
14 prescribed by Section 2312.053 are met; and

15       (3) the likelihood that an eligible business will  
16 relocate to the area.

17       Sec. 2312.053. CRITERIA FOR DESIGNATION. (a) To be  
18 designated as a zone an area must:

19       (1) be located in a county that:

20               (A) is adjacent to the Gulf of Mexico;

21               (B) contains territory located within 50 miles of  
22 an international border; or

23               (C) has a population of 500,000 or more;

24       (2) have a continuous boundary;

25       (3) be at least one square mile but not larger than the  
26 greater of:

27               (A) 10 square miles, excluding lakes, waterways,

1 and transportation arteries; or

2 (B) an area, not to exceed 20 square miles, that  
3 is equal to five percent of the total square mileage of the county  
4 in which the area is located, excluding lakes, waterways, and  
5 transportation arteries; and

6 (4) be an area in which the average rate of  
7 unemployment during the most recent 12-month period for which data  
8 is available was at least 1-1/2 times the state average for that  
9 period.

10 (b) The review board may not designate more than:

11 (1) one zone in a single school district; or

12 (2) three zones in a single county.

13 Sec. 2312.054. NUMBER OF ZONES. The review board may not  
14 designate more than 10 zones under this chapter.

15 [Sections 2312.055-2312.100 reserved for expansion]

16 SUBCHAPTER C. BOARD OF DIRECTORS; POWERS AND DUTIES OF BOARD

17 Sec. 2312.101. BOARD OF DIRECTORS. (a) A zone is governed  
18 by a board of directors.

19 (b) The department shall by rule determine the number of  
20 directors, the qualifications of directors, and the method of  
21 apportioning the appointment of directors among the taxing units  
22 that are located wholly or partly in the zone. The department shall  
23 provide that each taxing unit may appoint at least one director.

24 (c) A taxing unit must make its appointments to the board of  
25 directors before the 30th day after the date on which the review  
26 board designates an area as a zone. A taxing unit shall make  
27 reasonable efforts to include members of the local business

1 community on the board of directors.

2 Sec. 2312.102. DESIGNATION OF ELIGIBLE BUSINESSES. (a)

3 The board of directors shall determine whether a business is an  
4 eligible business.

5 (b) If the board of directors determines that a business  
6 meets the requirements prescribed by Section 2312.151(b), the board  
7 by order shall designate the business as an eligible business.

8 Sec. 2312.103. ADVERTISEMENT OF ZONE. The board of  
9 directors shall advertise the existence of a zone and the benefits  
10 of relocating to a zone to attract businesses to the zone and  
11 encourage new business growth in the zone.

12 [Sections 2312.104-2312.150 reserved for expansion]

13 SUBCHAPTER D. INCENTIVES FOR BUSINESS RECRUITMENT

14 Sec. 2312.151. ELIGIBLE BUSINESS. (a) In this section,  
15 "new job" means a new employment position that is intended to  
16 provide at least 1,820 hours of employment a year.

17 (b) A business is an eligible business if:

18 (1) the business relocates from another state or  
19 nation to a zone after the date on which the zone is designated;

20 (2) the business delivers a written statement to the  
21 board of directors that guarantees that the relocation of the  
22 business to the zone will create 100 or more new jobs in the zone;  
23 and

24 (3) the business, or any property located in the zone  
25 that is owned or controlled by the business, is not a gambling  
26 place, as that term is defined by Section 47.01, Penal Code.

27 (c) An eligible business that has not created 100 or more

1 new jobs in the zone before the first anniversary of the date on  
2 which the business is designated as an eligible business may not  
3 receive further tax abatements or exemptions under this chapter.

4 Sec. 2312.152. FRANCHISE TAX EXEMPTION. An eligible  
5 business is exempt from franchise taxes as provided by Section  
6 171.088, Tax Code.

7 Sec. 2312.153. LOCAL AD VALOREM TAX ABATEMENT. The  
8 governing body of a taxing unit located wholly or partly in a zone  
9 shall enter into a tax abatement agreement as provided by Chapter  
10 314, Tax Code, with an eligible business operating in the zone.

11 SECTION 2. Subchapter B, Chapter 171, Tax Code, is amended  
12 by adding Section 171.088 to read as follows:

13 Sec. 171.088. EXEMPTION--CERTAIN CORPORATIONS LOCATED IN  
14 BUSINESS RECRUITMENT REINVESTMENT ZONES. (a) A corporation  
15 designated as an eligible business under Section 2312.102,  
16 Government Code, is exempted from the franchise tax before the  
17 sixth anniversary of the date on which the corporation is  
18 designated as an eligible business.

19 (b) A corporation designated as an eligible business under  
20 Section 2312.102, Government Code, is exempted from:

21 (1) 80 percent of the amount of franchise tax due for  
22 the period beginning on the sixth anniversary and ending on the day  
23 before the seventh anniversary of the date on which the corporation  
24 is designated as an eligible business;

25 (2) 60 percent of the amount of franchise tax due for  
26 the period beginning on the seventh anniversary and ending on the  
27 day before the eighth anniversary of the date on which the

1 corporation is designated as an eligible business;

2 (3) 40 percent of the amount of franchise tax due for  
3 the period beginning on the eighth anniversary and ending on the day  
4 before the ninth anniversary of the date on which the corporation is  
5 designated as an eligible business; and

6 (4) 20 percent of the amount of franchise tax due for  
7 the period beginning on the ninth anniversary and ending on the day  
8 before the 10th anniversary of the date on which the corporation is  
9 designated as an eligible business.

10 SECTION 3. Subtitle B, Title 3, Tax Code, is amended by  
11 adding Chapter 314 to read as follows:

12 CHAPTER 314. TAX ABATEMENT IN BUSINESS RECRUITMENT REINVESTMENT

13 ZONES

14 SUBCHAPTER A. GENERAL PROVISIONS

15 Sec. 314.001. DEFINITIONS. In this chapter:

16 (1) "Eligible business" means a business designated as  
17 an eligible business under Section 2312.102, Government Code.

18 (2) "Taxing unit" has the meaning assigned by Section  
19 1.04.

20 Sec. 314.002. TAXING UNIT WITH TAX RATE SET BY  
21 COMMISSIONERS COURT. (a) The commissioners court of a county that  
22 enters into a tax abatement agreement for the county may enter into  
23 a tax abatement agreement applicable to the same property on behalf  
24 of a taxing unit other than the county if by statute the ad valorem  
25 tax rate of the other taxing unit is approved by the commissioners  
26 court or the commissioners court is expressly required by statute  
27 to impose the ad valorem taxes of the other taxing unit. The tax

1 abatement agreement entered into on behalf of the other taxing unit  
2 is not required to contain the same terms as the tax abatement  
3 agreement entered into on behalf of the county.

4 (b) This section does not apply to a taxing unit because the  
5 county tax assessor-collector is required by law to assess or  
6 collect the taxing unit's ad valorem taxes.

7 Sec. 314.003. STATE ADMINISTRATION. (a) The comptroller  
8 shall maintain a central registry of ad valorem tax abatement  
9 agreements executed under this chapter. The chief appraiser of  
10 each appraisal district that appraises property for a taxing unit  
11 that is located wholly or partly in a reinvestment zone and has  
12 executed a tax abatement agreement under this chapter shall deliver  
13 to the comptroller before July 1 of the year following the year in  
14 which the zone is designated or the agreement is executed a report  
15 providing the following information:

16 (1) a general description of the reinvestment zone,  
17 including its boundaries and the taxing units that are located  
18 wholly or partly in the zone;

19 (2) a copy of each tax abatement agreement to which a  
20 taxing unit that participates in the appraisal district is a party;  
21 and

22 (3) any other information required by the comptroller  
23 to administer this section.

24 (b) The comptroller may provide assistance to a taxing unit  
25 on request of its governing body or the presiding officer of its  
26 governing body relating to the administration of this chapter. The  
27 Texas Department of Economic Development and the comptroller may



1 provide technical assistance to a local governing body regarding  
2 the execution of tax abatement agreements.

3 [Sections 314.004-314.050 reserved for expansion]

4 SUBCHAPTER B. TAX ABATEMENT

5 Sec. 314.051. REINVESTMENT ZONE. Designation of an area as  
6 a business recruitment reinvestment zone under Chapter 2312,  
7 Government Code, constitutes designation of the area as a  
8 reinvestment zone under this chapter without procedural  
9 requirements other than those provided by Chapter 2312, Government  
10 Code.

11 Sec. 314.052. TAX ABATEMENT AGREEMENT. (a) The governing  
12 body of a taxing unit required to enter into tax abatement  
13 agreements under Section 2312.153, Government Code, shall agree in  
14 writing with an eligible business to exempt from taxation a portion  
15 of the value of the property owned by the eligible business as  
16 provided by this section.

17 (b) A tax abatement agreement shall provide that:

18 (1) 100 percent of the value of the taxable property is  
19 exempt from taxation before the sixth anniversary of the date on  
20 which the business is designated as an eligible business;

21 (2) 80 percent of the value of the taxable property is  
22 exempt from taxation for the period beginning on the sixth  
23 anniversary and ending on the day before the seventh anniversary of  
24 the date on which the business is designated as an eligible  
25 business;

26 (3) 60 percent of the value of the taxable property is  
27 exempt from taxation for the period beginning on the seventh

1 anniversary and ending on the day before the eighth anniversary of  
2 the date on which the business is designated as an eligible  
3 business;

4 (4) 40 percent of the value of the taxable property is  
5 exempt from taxation for the period beginning on the eighth  
6 anniversary and ending on the day before the ninth anniversary of  
7 the date on which the business is designated as an eligible  
8 business; and

9 (5) 20 percent of the value of the taxable property is  
10 exempt from taxation for the period beginning on the ninth  
11 anniversary and ending on the day before the 10th anniversary of the  
12 date on which the business is designated as an eligible business.

13 (c) A tax abatement agreement expires on the 10th  
14 anniversary of the date on which the business is designated as an  
15 eligible business.

16 Sec. 314.053. SPECIFIC TERMS OF TAX ABATEMENT AGREEMENT.

17 (a) An agreement made under this chapter must:

18 (1) provide for recapturing property tax revenue lost  
19 as a result of the agreement if the property ceases to be owned by an  
20 eligible business; and

21 (2) require the owner of the property to certify  
22 annually to the governing body of the taxing unit that the owner is  
23 an eligible business and is in compliance with each applicable term  
24 of the agreement.

25 (b) An agreement made under this chapter may include any  
26 term agreed on by the taxing unit and the eligible business that  
27 does not alter the terms prescribed by this subchapter.

1       Sec. 314.054. APPROVAL BY GOVERNING BODY. (a) To be  
2 effective, an agreement made under this chapter must be approved by  
3 the affirmative vote of a majority of the members of the governing  
4 body of the taxing unit at a regularly scheduled meeting of the  
5 governing body.

6       (b) On approval by the governing body, an agreement may be  
7 executed in the same manner as other contracts made by the taxing  
8 unit.

9       Sec. 314.055. MODIFICATION OR TERMINATION OF AGREEMENT.

10 (a) At any time before the expiration of an agreement made under  
11 this chapter, the agreement may be modified by the parties to the  
12 agreement to include other provisions that could have been included  
13 in the original agreement or to delete provisions that were not  
14 necessary to the original agreement. The agreement may not be  
15 modified to alter the terms expressly imposed by this subchapter.

16       (b) The modification must be made by the same procedure by  
17 which the original agreement was approved and executed.

18       (c) The original agreement may not be modified to extend  
19 beyond the 10th anniversary of the date on which the business is  
20 designated as an eligible business.

21       SECTION 4. This Act takes effect September 1, 2003.