

By: Jones of Dallas

H.B. No. 1380

A BILL TO BE ENTITLED

AN ACT

relating to the creation of renaissance 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. RENAISSANCE 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) "Eligible business" means a business designated as an eligible business under Section 2312.102.

(3) "Office" means the Texas Economic Development and Tourism Office.

(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 renaissance  
3 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) The governing body  
10 of a taxing unit, singly or jointly with another taxing unit, may by  
11 order or ordinance nominate an area located within the boundaries  
12 of the taxing unit for designation as a zone by submitting an  
13 application to the office.

14 (b) An application for designation as a zone shall contain:

15 (1) a copy of the order or ordinance nominating the  
16 area as a zone;

17 (2) a map of the area showing existing streets and  
18 highways and the boundaries of the area;

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

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

25 (5) any other information required by the office.

26 Sec. 2312.052. DESIGNATION BY OFFICE. (a) The office shall  
27 review each application submitted by a taxing unit seeking

1 designation as a zone.

2 (b) The office must decide whether to designate an area as a  
3 zone before the 90th day after the date on which the application is  
4 submitted.

5 (c) The office shall decide whether to designate an area as  
6 a zone based on:

7 (1) whether the criteria for designation as a zone  
8 prescribed by Section 2312.053 are met; and

9 (2) the likelihood that an eligible business will  
10 relocate to the area.

11 Sec. 2312.053. CRITERIA FOR DESIGNATION. To be designated  
12 as a zone an area must:

13 (1) have a continuous boundary;

14 (2) be at least one square mile but not larger than the  
15 greater of:

16 (A) 10 square miles, excluding lakes, waterways,  
17 and transportation arteries; or

18 (B) an area, not to exceed 20 square miles, that  
19 is equal to five percent of the area, excluding lakes, waterways,  
20 and transportation arteries, of the county in which the area is  
21 located; and

22 (3) be an area classified as an area of pervasive  
23 poverty, unemployment, and economic distress under Section  
24 2303.102.

25 [Sections 2312.054-2312.100 reserved for expansion]

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

27 Sec. 2312.101. BOARD OF DIRECTORS. (a) A zone is governed

1 by a board of directors.

2 (b) The executive director of the office shall by rule  
3 determine the number of directors, the qualifications of directors,  
4 and the method of apportioning the appointment of directors among  
5 the taxing units that nominated the area for designation as a zone.  
6 The executive director of the office shall provide that each taxing  
7 unit may appoint at least one director.

8 (c) A taxing unit must make its appointments to the board of  
9 directors before the 30th day after the date on which the office  
10 designates an area as a zone.

11 Sec. 2312.102. DESIGNATION OF ELIGIBLE BUSINESSES. (a)  
12 The board of directors shall determine whether a business is an  
13 eligible business.

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

17 Sec. 2312.103. ADVERTISEMENT OF ZONE. The board of  
18 directors shall advertise the existence of a zone and the benefits  
19 of relocating to a zone to attract businesses to the zone and  
20 encourage new business growth in the zone.

21 [Sections 2312.104-2312.150 reserved for expansion]

22 SUBCHAPTER D. INCENTIVES FOR BUSINESS RECRUITMENT

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

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

27 (1) the business relocates to a zone after the date on

1 which the zone is designated; and

2 (2) the business delivers a written statement to the  
3 board of directors that guarantees that:

4 (A) the relocation of the business to the zone  
5 will create 50 or more new jobs in the zone; and

6 (B) the business will invest a minimum of \$1  
7 million in real property improvements in the zone.

8 (c) An eligible business that has not created 50 or more new  
9 jobs in the zone before the first anniversary of the date on which  
10 the business is designated as an eligible business or that has not  
11 invested \$1 million or more in real property improvements before  
12 the fifth anniversary of the date on which the business is  
13 designated as an eligible business may not receive further tax  
14 abatements or exemptions under this chapter.

15 Sec. 2312.152. EXPIRATION. The designation of a business  
16 as an eligible business expires on the 10th anniversary of the date  
17 on which a business is designated as an eligible business.

18 Sec. 2312.153. SALES AND USE TAX EXEMPTIONS. An eligible  
19 business is exempt from sales and use taxes as provided by Section  
20 151.356, Tax Code.

21 Sec. 2312.154. FRANCHISE TAX EXEMPTION. An eligible  
22 business is exempt from franchise taxes as provided by Section  
23 171.088, Tax Code.

24 Sec. 2312.155. LOCAL AD VALOREM TAX ABATEMENT. The  
25 governing body of a taxing unit located wholly or partly in a zone  
26 may enter into a tax abatement agreement as provided by Chapter 314,  
27 Tax Code, with an eligible business operating in the zone.

1 SECTION 2. Subchapter H, Chapter 151, Tax Code, is amended  
2 by adding Section 151.356 to read as follows:

3 Sec. 151.356. ITEMS SOLD TO OR USED BY CERTAIN BUSINESSES  
4 LOCATED IN RENAISSANCE ZONES. (a) A taxable item sold, leased, or  
5 rented to or stored, used, or consumed by a business designated as  
6 an eligible business under Section 2312.102, Government Code, is  
7 exempted from the taxes imposed by this chapter if the item is for  
8 the exclusive use and benefit of the eligible business.

9 (b) The exemption provided by this section does not apply to  
10 an item that is to be leased, sold, or lent by the eligible  
11 business.

12 SECTION 3. Subchapter B, Chapter 171, Tax Code, is amended  
13 by adding Section 171.088 to read as follows:

14 Sec. 171.088. EXEMPTION--CERTAIN CORPORATIONS LOCATED IN  
15 RENAISSANCE ZONES. (a) A corporation designated as an eligible  
16 business under Section 2312.102, Government Code, is exempted from  
17 the franchise tax before the seventh anniversary of the date on  
18 which the corporation is 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) 75 percent of the amount of franchise tax due for  
22 the period beginning on the seventh anniversary and ending on the  
23 day before the eighth anniversary of the date on which the  
24 corporation is designated as an eligible business;

25 (2) 50 percent of the amount of franchise tax due for  
26 the period beginning on the eighth anniversary and ending on the day  
27 before the ninth anniversary of the date on which the corporation is

1 designated as an eligible business; and

2 (3) 25 percent of the amount of franchise tax due for  
3 the period beginning on the ninth anniversary and ending on the day  
4 before the 10th anniversary of the date on which the corporation is  
5 designated as an eligible business.

6 SECTION 4. Subtitle B, Title 3, Tax Code, is amended by  
7 adding Chapter 314 to read as follows:

8 CHAPTER 314. TAX ABATEMENT IN RENAISSANCE ZONES

9 SUBCHAPTER A. GENERAL PROVISIONS

10 Sec. 314.001. DEFINITIONS. In this chapter:

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

13 (2) "Taxing unit" has the meaning assigned by Section  
14 1.04.

15 Sec. 314.002. TAXING UNIT WITH TAX RATE SET BY  
16 COMMISSIONERS COURT. (a) The commissioners court of a county that  
17 enters into a tax abatement agreement for the county may enter into  
18 a tax abatement agreement applicable to the same property on behalf  
19 of a taxing unit other than the county if by statute the ad valorem  
20 tax rate of the other taxing unit is approved by the commissioners  
21 court or the commissioners court is expressly required by statute  
22 to impose the ad valorem taxes of the other taxing unit. The tax  
23 abatement agreement entered into on behalf of the other taxing unit  
24 is not required to contain the same terms as the tax abatement  
25 agreement entered into on behalf of the county.

26 (b) This section does not apply to a taxing unit because the  
27 county tax assessor-collector is required by law to assess or

1 collect the taxing unit's ad valorem taxes.

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

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

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

17 (3) any other information required by the comptroller  
18 to administer this section.

19 (b) The comptroller may provide assistance to a taxing unit  
20 on request of its governing body or the presiding officer of its  
21 governing body relating to the administration of this chapter. The  
22 Texas Economic Development and Tourism Office and the comptroller  
23 may provide technical assistance to a local governing body  
24 regarding the execution of tax abatement agreements.

25 [Sections 314.004-314.050 reserved for expansion]

26 SUBCHAPTER B. TAX ABATEMENT

27 Sec. 314.051. REINVESTMENT ZONE. Designation of an area as



1 a renaissance zone under Chapter 2312, Government Code, constitutes  
2 designation of the area as a reinvestment zone under this chapter  
3 without procedural requirements other than those provided by  
4 Chapter 2312, Government Code.

5 Sec. 314.052. TAX ABATEMENT AGREEMENT. (a) The governing  
6 body of a taxing unit authorized to enter into tax abatement  
7 agreements under Section 2312.155, Government Code, may agree in  
8 writing with an eligible business to exempt from taxation a portion  
9 of the value of the property owned by the eligible business as  
10 provided by this section.

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

12 (1) 100 percent of the value of the taxable property is  
13 exempt from taxation before the seventh anniversary of the date on  
14 which the business is designated as an eligible business;

15 (2) 75 percent of the value of the taxable property is  
16 exempt from taxation for the period beginning on the seventh  
17 anniversary and ending on the day before the eighth anniversary of  
18 the date on which the business is designated as an eligible  
19 business;

20 (3) 50 percent of the value of the taxable property is  
21 exempt from taxation for the period beginning on the eighth  
22 anniversary and ending on the day before the ninth anniversary of  
23 the date on which the business is designated as an eligible  
24 business; and

25 (4) 25 percent of the value of the taxable property is  
26 exempt from taxation for the period beginning on the ninth  
27 anniversary and ending on the day before the 10th anniversary of the

1 date on which the business is designated as an eligible business.

2 (c) A tax abatement agreement expires on the 10th  
3 anniversary of the date on which the business is designated as an  
4 eligible business.

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

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

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

10 (2) require the owner of the property to certify  
11 annually to the governing body of the taxing unit that the owner is  
12 an eligible business and is in compliance with each applicable term  
13 of the agreement.

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

17 Sec. 314.054. APPROVAL BY GOVERNING BODY. (a) To be  
18 effective, an agreement made under this chapter must be approved by  
19 the affirmative vote of a majority of the members of the governing  
20 body of the taxing unit at a regularly scheduled meeting of the  
21 governing body.

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

25 Sec. 314.055. MODIFICATION OR TERMINATION OF AGREEMENT.

26 (a) At any time before the expiration of an agreement made under  
27 this chapter, the agreement may be modified by the parties to the

1 agreement to include other provisions that could have been included  
2 in the original agreement or to delete provisions that were not  
3 necessary to the original agreement. The agreement may not be  
4 modified to alter the terms expressly imposed by this subchapter.

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

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

10 SECTION 5. This Act takes effect September 1, 2005.