

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 79TH LEGISLATIVE REGULAR SESSION

April 26, 2005

TO: Honorable Helen Giddings, Chair, House Committee on Business & Industry

FROM: John S. O'Brien, Deputy Director, Legislative Budget Board

IN RE: HB1380 by Jones, Jesse (relating to the creation of renaissance zones to promote the relocation of businesses to certain areas of this state.), **Committee Report 1st House, Substituted**

No significant fiscal implication to the State is anticipated.

The bill would permit the creation of renaissance zones and provide tax incentives for certain businesses to relocate within renaissance zones.

A renaissance zone would be created through a process of nomination, application, review, and designation. The governing body of a taxing unit, alone or with another taxing unit, could nominate an area within its boundary as a renaissance zone by applying to the Texas Economic Development and Tourism Office.

The board of directors of the zone could apply to the Comptroller for a franchise tax exemption for an eligible business. An exemption could only be granted if the Comptroller determined that there was sufficient money in the renaissance zone franchise tax exemption account to offset the loss of franchise tax revenue. The bill would create a new account in the general revenue fund called the "franchise tax exemption account". The account would be composed of money from the Texas Enterprise Fund awarded to the account; gifts, grants, and donations; and legislative appropriations

The bill would exempt from sales tax an otherwise taxable item sold to or used by an eligible business.

The bill would allow certain taxing units within a designated zone to enter into tax abatement agreements with an eligible business to exempt from property taxation a portion of the value of the property owned by the business. Property tax abatements could only be granted if the taxing unit could issue bonds payable from ad valorem taxes under Section 1-g (b), Article VIII, Texas Constitution, or other law for the purpose of offsetting tax proceeds that would not be collected as a result of a tax abatement agreement.

The Texas Economic Development and Tourism Office (office) estimates that one additional full time equivalent position will be needed to meet the requirements of the bill. The annual estimated salary and staff benefits for that position are \$45,539. In addition, the office estimates that \$3,320 will be needed for operating expenses and travel each year. Finally, \$1,500 will be needed for equipment in fiscal years 2006 and 2009.

Because reductions in franchise tax revenue as a result of franchise tax exemptions authorized by this bill would be offset by funds in the franchise tax exemption account, no fiscal implication to the State is anticipated for this provision.

Since the bill provisions for sales and use tax exemptions are limited, no significant reduction in sales tax revenue is anticipated for the State or units of local government.

Section 403.302 of the Government Code requires the Comptroller to conduct a property value study to determine the total taxable value for each school district. Total taxable value is an element in the

state's school funding formula. Since the proposed property tax abatements would not be included in the property value study calculation, no fiscal impact to the State is anticipated for this provision.

Local Government Impact

Units of local government could realize a reduction in ad valorem tax revenue. The revenue loss may be prorated over a number of years if the taxing unit issues bonds to offset the property tax abatements.

Source Agencies:

LBB Staff: JOB, JRO, WP, DLBe