

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 79TH LEGISLATIVE REGULAR SESSION

April 5, 2005

TO: Honorable Fred Hill, Chair, House Committee on Local Government Ways & Means

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

IN RE: HB3202 by Veasey (Relating to the powers and duties of the board of directors of a tax increment financing reinvestment zone and of the taxing units that impose ad valorem taxes on property in the zone.), **As Introduced**

No fiscal implication to the State is anticipated.

The bill would make certain changes to the Tax Code related to abatements and Tax Increment Finance agreements.

The bill would provide that the use of revenue from a tax increment fund for carrying out the powers and duties of the reinvestment zone's board of directors (e.g., project costs, buildings, transit facilities, and affordable housing) would not be subject to the competitive bidding provisions in Chapter 252 of the Local Government Code.

The bill would provide that the municipality that created a reinvestment zone would not have to pay into the tax increment fund from its tax increment produced from property located in the zone, except to the extent approved by ordinance or resolution by the city council.

The bill would allow a city (and other taxing units within a reinvestment zone) to enter into tax abatement agreements with property owners within the zone, subject to approval by the board of directors of the reinvestment zone and the governing body of each taxing unit that taxes property in the zone and deposits any of its tax increment into the tax increment fund.

Current law allows taxing units in a reinvestment zone, other than the municipality, to enter into tax abatement agreements with property owners within the zone if the unit does not deposit any of its tax increment into the tax increment fund.

Local Government Impact

Costs to local taxing units to implement the provisions of the bill would vary. Passage of the bill would expand the discretion of cities and taxing units to participate in tax increment financing agreements and tax abatements. The fiscal impact of this bill would depend on future actions by taxing units relative to participation in tax increment financing and tax abatement agreements. It is assumed that a taxing unit would enter into agreements only if they are economically feasible, however, if they do, a loss in property tax revenue would occur.

Source Agencies: 304 Comptroller of Public Accounts

LBB Staff: JOB, SD, WP, DLBe, KJG