

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 79TH LEGISLATIVE REGULAR SESSION

May 13, 2005

TO: Honorable Allan Ritter, Chair, House Committee on Economic Development

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

IN RE: SB771 by West, Royce (relating to tax increment financing.), **Committee Report 2nd House, Substituted**

<p>No significant fiscal implication to the State is anticipated.</p>
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The bill would expand the criteria for designation as a reinvestment zone to include the presence of certain structures that have been substantially vacant for five or more years. The bill would also assert that a project plan to alleviate certain criteria necessary to designate a reinvestment zone and to promote development or redevelopment of a reinvestment zone "serves a public purpose."

Section 11.11 of the Tax Code provides that "property owned by this state or a political subdivision of this state is exempt from taxation if the property is used for public purposes." The section of the bill stating that a project plan to alleviate certain public health, safety, morals, or welfare-related conditions and to promote development or redevelopment "serves a public purpose" might provide the basis for a total exemption for currently taxable property used in connection with tax increment financing and tax abatement agreements.

Section 403.302 of the Government Code would require 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. Passage of the bill could cause a change in school district taxable values reported to the commissioner of education by the comptroller.

Local Government Impact

No significant fiscal implication to units of local government is anticipated.

Source Agencies: 304 Comptroller of Public Accounts

LBB Staff: JOB, DLBa, JRO, WP, DLBe