

BILL ANALYSIS

S.B. 1809
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Ways & Means
Committee Report (Unamended)

BACKGROUND AND PURPOSE

Potentially contradictory language in the current tax increment reinvestment zone statute is hampering the effectiveness of tax increment financing as a tool in supporting community and economic development in certain situations.

As proposed, S.B. 1809 expands what a tax increment fund for a reinvestment zone can be used for to include construction of a road, sidewalk, or other public infrastructure in and near the zone, including the cost of acquiring the real property necessary for construction. This bill also allows municipalities to enter into agreements for tax exemptions on real property located in a tax increment reinvestment zone.

RULEMAKING AUTHORITY

This bill does not expressly grant any additional rulemaking authority to a state officer, institution, or agency.

ANALYSIS

The bill amends Section 311.010(b), Tax Code, as follows:

(b) Authorizes an agreement between the board of directors of a reinvestment zone (board) and the governing body of the municipality or county that creates a reinvestment zone (body) to dedicate, pledge, or otherwise provide for the use of revenue in the tax increment fund to pay certain project costs that benefit the reinvestment zone, including the construction of a road, sidewalk, or other public infrastructure in or out of the zone, including the cost of acquiring the real property necessary for the construction of the road, sidewalk, or other public infrastructure. Deletes existing text authorizing an agreement to dedicate revenue from the tax increment fund to pay a neighborhood enterprise association for providing services or carrying out projects authorized under Subchapters E and G, Chapter 2303, Government Code, in the reinvestment zone. Deletes existing text prohibiting the term of an agreement with a neighborhood enterprise association from exceeding 10 years.

The bill amends Section 311.013(g), Tax Code, as follows:

(g) Authorizes a taxing unit, including a municipality, rather than a taxing unit other than a city, to elect to offer the owners of taxable real property in a reinvestment zone created under this chapter (Tax Increment Financing Act) an exemption from taxation of all or part of the value of the property, subject to the provisions of Section 311.0125 (Tax Abatement Agreements), in lieu of permitting a portion of its tax increment to be paid into the tax increment fund, and notwithstanding the provisions of Section 312.203 (Expiration of Reinvestment Zone). Requires an agreement to exempt real property from ad valorem taxes under this subsection, to be effective, to be approved by the board and the body of each taxing unit that imposes taxes on real property in the reinvestment zone and deposits or agrees to deposit any of its tax increment into the tax increment fund for the zone. Deletes existing text requiring any agreement concerning exemption from ad valorem taxes to be executed in the manner and subject to the limitations of Chapter 312 (Property Redevelopment and Tax Abatement Act); provided, however, the property covered by the agreement need not be in a zone created pursuant to Chapter 312. Deletes existing text prohibiting a taxing unit from offering a tax abatement agreement to

property owners in the reinvestment zone after it has entered into an agreement that its tax increments would be paid into the tax increment fund pursuant to Subsection (f).

The bill states the effective date is immediately if it receives the necessary votes or September 1, 2007.

EFFECTIVE DATE

This Act takes effect immediately if it receives a vote of two-thirds of all the members elected to each house, as provided by Section 39, Article III, Texas Constitution. If this Act does not receive the vote necessary for immediate effect, this Act takes effect September 1, 2007.