

## **BILL ANALYSIS**

H.B. 1403  
By: Villarreal  
Ways & Means  
Committee Report (Unamended)

### **BACKGROUND AND PURPOSE**

In 1993, the state changed the school finance system to reduce state aid to school districts granting tax abatements. As a result, school districts were strongly discouraged from providing tax abatements to companies in their districts. In 2001, the state instituted a prohibition on tax abatements from school districts.

Following the initial step in 1993, the legislature enacted S.B. 345 in 1995 to compensate those companies that received tax abatements from cities and counties but would no longer receive them from school districts. The legislature limited the total state reimbursement to \$20 million per biennium. The amount is distributed among the companies that qualify for the reimbursement.

Companies have now had time to adjust to the steps the legislature took to end school district property tax abatements. When companies receive a tax abatement from cities and counties, they now know that they do not also qualify for tax abatement from school districts. Yet, the state continues to compensate them for not receiving a school district tax abatement. The \$20 million state expenditure is no longer needed to transition companies out of the era of school district property tax abatements.

H.B. 1403 repeals Subchapter F, Chapter 111, Tax Code, which establishes the reimbursement.

### **RULEMAKING AUTHORITY**

It is the committee's opinion that this bill does not expressly grant any additional rulemaking authority to a state officer, department, agency, or institution.

### **ANALYSIS**

H.B. 1403 repeals Subchapter F, Chapter 111, Tax Code, entitling certain payers of property taxes to a school district to state sales and use tax and franchise tax refunds for certain economic development purposes.

### **EFFECTIVE DATE**

January 1, 2010.