

BILL ANALYSIS

H.B. 1770
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Ways & Means
Committee Report (Unamended)

BACKGROUND AND PURPOSE

Tax increment financing is a tool that municipal governments can use to publicly finance needed structural improvements and enhance infrastructure within a defined area. Such improvements usually are undertaken to promote the viability of existing businesses and to attract new commercial enterprises to an area. The cost of improvements to the area is repaid with future tax revenues by participating taxing units that levy taxes against the property. Currently, under the Tax Increment Financing Act, a municipality can only designate a contiguous geographic area as a reinvestment zone, and only in its respective jurisdiction. Current law is unclear on a municipality's authority to establish a zone that covers area in its extraterritorial jurisdiction. Furthermore, there are concerns over future annexation of taxable real property in the designated area. Developers with projects that yield the tax increment are hesitant to commit to development in an area of ambiguous status. Thus, making the law more explicit would bring assurance to potential developers.

H.B. 1770 allows a noncontiguous area in a municipality's corporate limits, its extraterritorial jurisdiction, or both, to be designated reinvestment zones, giving municipalities greater flexibility and discretion in bringing economic development to their communities.

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. 1770 amends the Tax Code to authorize the governing body of a municipality by ordinance to designate a noncontiguous geographic area, in addition to a contiguous geographic area as under existing law, and clarifies that the designated area may be within the corporate limits of the municipality, in the extraterritorial jurisdiction of the municipality, or in both. The bill establishes that the designation of an area that is wholly or partly located in the extraterritorial jurisdiction of a municipality is not affected by the subsequent annexation of real property in the reinvestment zone by the municipality.

EFFECTIVE DATE

On passage, or, if the act does not receive the necessary vote, the act takes effect September 1, 2009.