

## **BILL ANALYSIS**

Senate Research Center  
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C.S.H.B. 1770  
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Economic Development  
5/19/2009  
Committee Report (Substituted)

### **AUTHOR'S / SPONSOR'S STATEMENT OF INTENT**

Tax increment financing is a tool that municipal governments can use to publicly finance needed structural improvements and enhanced infrastructure within a defined area. These improvements usually are undertaken to promote the viability of existing businesses and to attract new commercial enterprises to the area. The cost of improvements to the area is repaid by the contribution of future tax revenues by each taxing unit that levies taxes against the property.

Currently, counties and cities can only designate a contiguous geographic area as a reinvestment zone, and the statute is unclear in regards to a municipality's authority to establish a zone that covers area in its extraterritorial jurisdiction. As such, there are concerns over future annexation of taxable real property in the designated area.

Developers who bring projects that yield the increment are hesitant to commit to development in an area of ambiguous status, and making this provision explicit would bring assurance to potential developers. By allowing noncontiguous areas of counties and cities, as well as area in the extraterritorial jurisdiction of cities, to be designated as a reinvestment zone, this legislation gives the counties and cities greater flexibility and discretion in bringing economic development to their communities.

C.S.H.B. 1770 relates to the designation of an area as a reinvestment zone under the Tax Increment Financing Act.

### **RULEMAKING AUTHORITY**

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

### **SECTION BY SECTION ANALYSIS**

SECTION 1. Amends Section 311.003(a), Tax Code, as follows:

(a) Authorizes the governing body of a county by order to designate a contiguous geographic area in the county and authorizes the governing body of a municipality by ordinance to designate a contiguous or noncontiguous geographic area that is in the corporate limits of the municipality, in the extraterritorial jurisdiction of the municipality, or in both to be a reinvestment zone to promote development or redevelopment of the area if the governing body determines that development or redevelopment would not occur solely through private investment in the reasonably foreseeable future. Provides that the designation of an area that is wholly or partly located in the extraterritorial jurisdiction of a municipality is not affected by a subsequent annexation of real property in the reinvestment zone by the municipality. Deletes existing text authorizing the governing body of a municipality by ordinance or the governing body of a county by order to designate a contiguous geographic area in the jurisdiction of the municipality or county to be a reinvestment zone to promote development or redevelopment of the area if the governing body determines that development or redevelopment would not occur solely through private investment in the reasonably foreseeable future.

SECTION 2. Amends Section 311.012(a), Tax Code, to provide that the amount of a taxing unit's tax increment for a year is the amount of property taxes levied and assessed by the unit for that year on the captured appraised value of real property taxable by the unit and located in a

reinvestment zone or the amount of property taxes levied and collected by the unit for that year on the captured appraised value of real property taxable by the unit and located in a reinvestment zone. Requires the governing body of a taxing unit to determine which of the methods specified by this subsection is used to calculate the amount of the unit's tax increment.

SECTION 3. Amends Sections 311.013(c) and (i), Tax Code, as follows:

(c) Requires a taxing unit to make a payment required by Subsection (b) (relating to requiring a taxing unit to pay into the tax increment fund for the zone an amount equal to the tax increment produced by the unit, less a certain sum) not later than the 90th day after the delinquency date for the unit's property taxes, notwithstanding any termination of the reinvestment zone under Section 311.017(a).

(i) Provides that a taxing unit is not required to pay into a tax increment fund the applicable portion of a tax increment attributable to delinquent taxes until those taxes are collected, notwithstanding Subsection (c) and Section 311.012(a).

SECTION 4. Amends Section 311.017, Tax Code, by amending Subsection (a) and adding Subsection (a-1), as follows:

(a) Provides that a reinvestment zone terminates on the earlier of certain dates, including the termination date designated in the ordinance or order, as applicable, creating the zone or an earlier or later termination date designated by an ordinance or order adopted subsequent to the ordinance or order creating the zone.

(a-1) Provides that a taxing unit that taxes real property located in the reinvestment zone, other than the municipality or county that created the zone, is not required to pay any of its tax increment into the tax increment fund for the zone after the termination date designated in the ordinance or order creating the zone unless the governing body of the taxing unit enters into an agreement to do so with the governing body of the municipality or county that created the zone, notwithstanding the designation of a later termination date under Subsection (a).

SECTION 5. (a) Provides that the legislature validates and confirms all governmental acts and proceedings of a municipality or county that were taken before the effective date of this Act and relate to or are associated with the extension of the term of a reinvestment zone created by the municipality or county under Chapter 311 (Tax Increment Financing Act), Tax Code, as of the dates on which they occurred. Prohibits the acts and proceedings from being held invalid because they were not in accordance with Chapter 311, Tax Code, or other law.

(b) Provides that Subsection (a) of this section does not apply to any matter that on the effective date of this Act is involved in litigation if the litigation ultimately results in the matter being held invalid by a final judgment of a court, or has been invalid by a final judgment of a court.

SECTION 6. Makes application of this Act prospective.

SECTION 7. Effective date: upon passage or September 1, 2009.