

BILL ANALYSIS

Senate Research Center

H.B. 3896
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Economic Development
5/21/2009
Engrossed

AUTHOR'S / SPONSOR'S STATEMENT OF INTENT

Chapter 312 (Property Redevelopment and Tax Abatement Act), Tax Code, provides authorization for municipalities, counties, and other local taxing jurisdictions to enter into tax abatement agreements for local economic development purposes. Current law allows these local taxing jurisdictions to abate property taxes for a period of up to 10 years upon creation of a reinvestment zone. Tax abatement projects must meet locally adopted guidelines. Chapter 312 abatements involve only local money and may not be granted by school districts. Tax abatement agreements are local economic development tools, involving exclusively local decisions and tax revenue, but under current law, Chapter 312 expires on September 1, 2009.

H.B. 3896 makes changes to Chapter 312 to ensure that local taxing jurisdictions can continue to use property tax abatements for economic development purposes. In particular, the bill addresses concerns that were raised by the attorney general's opinion. The bill also extends the expiration date for Chapter 312 from September 1, 2009 to September 1, 2019.

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 312.006, Tax Code, as amended by Chapters 1029 (H.B. 1449) and 1505 (H.B. 1200), Acts of the 77th Legislature, Regular Session, 2001, as follows:

Sec. 312.006. EXPIRATION DATE. Provides that this chapter expires September 1, 2019, rather than 2009, if not continued in effect.

SECTION 2. Amends Subchapter A, Chapter 312, Tax Code, by adding Section 312.007, as follows:

Sec. 312.007. DEFERRAL OF COMMENCEMENT OF ABATEMENT PERIOD. (a) Defines "abatement period."

(b) Authorizes the governing body of the taxing unit granting the abatement and the owner of the property that is the subject of the agreement, notwithstanding any other provision of this chapter, to agree to defer the commencement of the abatement period until a date that is subsequent to the date the agreement is entered into, except that the duration of an abatement period is prohibited from exceeding 10 years.

SECTION 3. Amends Section 312.402, Tax Code, by amending Subsection (a) and adding Subsections (a-1), (a-2), and (a-3), as follows:

(a) Authorizes the commissioners court to execute a tax abatement agreement with the owner of taxable real property located in a reinvestment zone designated under this subchapter or with the owner of tangible personal property located on real property in a reinvestment zone to exempt from taxation all or a portion of the value of the real property, all or a portion of the value of the tangible personal property located on the real property, or all or a portion of the value of both. Deletes existing text authorizing the

court to execute a tax abatement agreement with the owner of a leasehold interest in tax-exempt real property or leasehold interests or improvements on tax-exempt real property that is located in a reinvestment zone designated under this subchapter to exempt a portion of the value of tangible personal property or leasehold interests or improvements on tax-exempt real property located on the real property; providing that the execution, duration, and other terms of an agreement under this section are governed by the provisions of Sections 312.204 (Municipal Tax Abatement Agreement), 312.205 (Specific Terms of Tax Abatement Agreement), and 312.211 (Agreement by Municipality Relating to Property Subject to Voluntary Cleanup Agreement) applicable to a municipality; and providing that Section 312.2041 applies to an agreement made by a county under this section in the same manner as it applies to an agreement made by a municipality under Section 312.204 or 312.211.

(a-1) Authorizes the commissioners court to execute a tax abatement agreement with the owner of a leasehold interest in tax-exempt real property located in a reinvestment zone designated under this subchapter to exempt all or a portion of the value of the leasehold interest in the real property. Authorizes the court to execute a tax abatement agreement with the owner of tangible personal property or an improvement located on tax-exempt real property that is located in a designated reinvestment zone to exempt all or a portion of the value of the tangible personal property or improvement located on the real property.

(a-2) Provides that the execution, duration, and other terms of an agreement entered into under this section are governed by the provisions of Sections 312.204, 312.205, and 312.211 applicable to a municipality. Provides that Section 312.2041 (Notice of Tax Abatement Agreement to Other Taxing Units) applies to an agreement entered into under this section in the same manner as that section applies to an agreement entered into under Section 312.204 or 312.211.

(a-3) Authorizes the commissioners court to execute a tax abatement agreement with a lessee of taxable real property located in a reinvestment zone designated under this subchapter to exempt from taxation all or a portion of the value of the fixtures, improvements, or other real property owned by the lessee and located on the property that is subject to the lease, all or a portion of the value of tangible personal property owned by the lessee and located on the real property that is the subject of the lease, or all or a portion of the value of both the fixtures, improvements, or other real property and the tangible personal property described by this subsection.

SECTION 4. (a) Repealer: Section 312.006 (Tax Abatement by Other Taxing Units), Tax Code, as amended by Chapters 1029 (H.B. 1449) and 1505 (H.B. 1200), Acts of the 77th Legislature, Regular Session, 2007.

(b) Repealer: Chapter 320 (Miscellaneous Provisions), Tax Code.

SECTION 5. Provides that Section 312.007, Tax Code, as added by this Act, is intended to clarify rather than change existing law.

SECTION 6. Makes application of this Act prospective.

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