

BILL ANALYSIS

C.S.H.B. 3896
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Ways & Means
Committee Report (Substituted)

BACKGROUND AND PURPOSE

Chapter 312, 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.

In January 2008, Attorney General Greg Abbott issued an opinion (GA-0600) questioning whether Chapter 312 tax abatement agreements could be entered into between local governing bodies and owners of improvements on leased land.

C.S.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 repeals the September 1, 2009, expiration date for Chapter 312 and the saving provision for that chapter after it expires.

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

C.S.H.B. 3896 amends the Tax Code to authorize the governing body of a municipality or the commissioners court of a county to reach an agreement with the owner of a property that is the subject of an abatement agreement to defer the commencement of the abatement period until a date that is subsequent to the date the agreement is entered into, but prohibits the duration of an abatement period from exceeding 10 years. The bill defines "abatement period."

C.S.H.B. 3896 clarifies that a county commissioners court is authorized to execute a tax abatement agreement 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. The bill revises and partially replaces provisions relating to the execution of 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. The bill, under the new provisions, clarifies that the commissioners court is authorized to execute a tax abatement agreement with the owner of a leasehold interest in tax-exempt real property located in a county reinvestment zone to exempt all or a portion of the value of the leasehold interest in the real property. The bill also clarifies that the court is authorized 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.

C.S.H.B. 3896 specifies that its provisions are intended to clarify, rather than change existing law.

C.S.H.B. 3896 repeals 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, thus eliminating the September 1, 2009, expiration date of the Property Redevelopment and Tax Abatement Act. The bill repeals Chapter 320, Tax Code, the saving provision for the Property Redevelopment and Tax Abatement Act after its expiration.

EFFECTIVE DATE

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

COMPARISON OF ORIGINAL AND SUBSTITUTE

C.S.H.B. 3896 differs from the original in nonsubstantive ways by using language reflective of certain bill drafting conventions in provisions relating to the deferral of the commencement of an abatement period. The substitute adds a provision not in the original to repeal Chapter 320, Tax Code, in conformity to the repeal of Section 312.006, Tax Code, by both the original and substitute.

C.S.H.B. 3896 differs from the original in the savings provision by referring to an abatement agreement between a county commissioners court and the owner of taxable real property or tangible personal property or an owner of a leasehold interest in tax-exempt real property, rather than to an agreement between a county commissioners court and an owner or lessee of taxable real property or an owner of tangible personal property, as in the original. The substitute differs by referring not only to an agreement for an exemption from taxation of all or a portion of the value of real property, tangible personal property, or both, as in the original, but also to an agreement for an exemption from taxation of all or a portion of the value of a leasehold interest in tax-exempt real property.