

BILL ANALYSIS

Senate Research Center
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S.B. 252
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AUTHOR'S / SPONSOR'S STATEMENT OF INTENT

Many rural economies significantly benefit from tourism because small towns possess a certain character that many tourists want to experience, including main streets. Towns are able to revitalize their main streets through participation in either the Main Street Improvement Program or the Downtown Revitalization Program, administered by the Texas Department of Agriculture (TDA). These programs offer communities the ability to improve infrastructure for the purpose of bringing new life to the town but do not require all buildings to be revitalized. Many building owners are not interested because their property taxes will increase to a level not supported by their business.

As proposed, S.B. 252 authorizes the governing body of a municipality, with a population of less than 10,000, to limit municipal taxes that may be imposed on real property in an area that has been approved for funding under the programs administered by TDA. The tax limitation expires on the earlier of January 1 of the sixth tax year following the tax year in which the agreement was entered into or January 1 of the first tax year in which the owner of the property when the agreement was entered into ceases to own the property.

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 Subchapter B, Chapter 11, Tax Code, by adding Section 11.34, as follows:

Sec. 11.34. **LIMITATION OF TAXES ON REAL PROPERTY IN DESIGNATED AREAS OF CERTAIN MUNICIPALITIES.** (a) Provides that this section applies only to a municipality having a population of less than 10,000.

(b) Authorizes the governing body of a municipality (governing body), acting under the authority of Section 1-o (Rural Economic Development; Limitation on Ad Valorem Tax Increase), Article VIII, Texas Constitution, by official action, to call an election to permit the voters of the municipality to determine whether to authorize the governing body to enter into an agreement with an owner of real property in or adjacent to an area in the municipality that has been approved for funding under the programs administered by the Texas Department of Agriculture (TDA) as described by Section 1-o, Article VIII, Texas Constitution, under which the parties agree that the ad valorem taxes imposed by any political subdivision on the owner's real property is prohibited from being increased for the first five tax years after the tax year in which the agreement is entered into, subject to the terms and conditions provided by the agreement.

(c) Requires the tax officials, if the authority to limit tax increases under this section is approved by the voters and the governing body enters into an agreement to limit tax increases under this section, to appraise the property to which the limitation applies and to calculate taxes as on other property, but if the tax so calculated exceeds the limitation, the tax imposed is the amount of the tax as limited by this section, except as provided by Subsections (f) and (g).

(d) Requires that an agreement to limit tax increases under this section be entered into before December 31 of the tax year in which the election was held.

(e) Prohibits a taxing unit from increasing the total annual amount of ad valorem taxes the taxing unit imposes on the property above the amount of the taxes the taxing unit imposed on the property in the tax year in which the governing body entered into an agreement to limit tax increases under this section.

(f) Provides that, subject to Subsection (g), an agreement to limit tax increases under this section expires on the earlier of January 1 of the sixth tax year following the tax year in which the agreement was entered into or January 1 of the first tax year in which the owner of the property when the agreement was entered into ceases to own the property.

(g) Provides that if property subject to an agreement to limit tax increases under this section is owned by two or more persons, the limitation expires on January 1 of the first tax year following the year in which the ownership of at least a 50 percent interest in the property is sold or otherwise transferred.

(h) Provides that, notwithstanding Subsection (a), if the population of a municipality to which this section applies when the municipality enters into an agreement to limit taxes under this section subsequently increases to 10,000 or more, the validity of the agreement is not affected by that change in population, and the agreement does not expire because of that change.

SECTION 2. Makes application of this Act prospective to a tax year beginning on or after the effective date of this act.

SECTION 3. Effective date: upon passage or September 1, 2009.