

BILL ANALYSIS

S.B. 576
By: Davis, Wendy
Ways & Means
Committee Report (Unamended)

BACKGROUND AND PURPOSE

Owners of historic properties located in a Tax Increment Finance Zone (TIF) are currently unable to receive incentives for improving and restoring their historic property. Therefore, historic property inside TIFs is often razed or lost to neglect. Another problem is that TIF funds currently cannot be used to acquire rights-of-way or build roads or sidewalks into and out of a TIF. Stakeholders around a TIF sometimes complain that the additional traffic generated by the TIF harms area roads, and that those outside the TIF are left to pay for the road repair and construction.

Currently, municipalities are not allowed to grant ad valorem tax exemptions (such as those for historic properties) to real property owners inside a TIF. Also, the current statute requires that TIF funds be used to pay for infrastructure and can only be used on roads and sidewalks inside the TIF boundaries.

As proposed, S.B. 576 allows the use of TIF funds for the construction of infrastructure leading into or out of the zone, including the purchase of real property necessary to build that infrastructure; allows a municipality to grant a tax exemption to the owners of historic property within a TIF in lieu of paying a portion of its tax increment into the TIF fund; and requires an agreement to exempt real property from ad valorem taxes to be approved by both the board of directors of the reinvestment zone and the governing body of each taxing unit that imposes taxes on real property in the zone and deposits any of its tax increment into the TIF fund. The bill also deletes text authorizing an agreement to dedicate revenue from a TIF to a neighborhood enterprise association.

RULEMAKING AUTHORITY

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

ANALYSIS

SECTION 1. Amends Section 311.010(b), Tax Code, to authorize an agreement, during the term of the agreement to dedicate, pledge, or otherwise provide for the use of revenue in the tax increment fund to pay any project costs that benefit the reinvestment zone, including project costs relating to the construction of a road, sidewalk, or other public infrastructure in or out of the zone, including the cost of acquiring the real property necessary for the construction of the road, sidewalk, or other public infrastructure. Deletes existing text authorizing an agreement to dedicate revenue from the tax increment fund to pay a neighborhood enterprise association for providing services or carrying out projects authorized under Subchapters E and G, Chapter 2303, Government Code, in the zone. Deletes existing text prohibiting the term of an agreement with a neighborhood enterprise association from exceeding 10 years.

SECTION 2. Amends Section 311.013(g), Tax Code, to provide that subject to the provisions of Section 311.0125 (Tax Abatement Agreements), in lieu of permitting a portion of its tax increment to be paid into the tax increment fund, and notwithstanding the provisions of Section 312.203 (Expiration of Reinvestment Zone), a taxing unit, including a municipality, rather than a taxing unit other than a city, is authorized to elect to offer the owners of taxable real property in a

reinvestment zone created under this chapter an exemption from taxation of all or part of the value of the property. Requires that an agreement to exempt real property from ad valorem taxes under this subsection, to be effective, be approved by the board of directors of the reinvestment zone, and the governing body of each taxing unit that imposes taxes on real property in the reinvestment zone and deposits or agrees to deposit any of its tax increment into the tax increment fund for the zone. Deletes existing text requiring that any agreement concerning an exemption from ad valorem taxes be executed in the manner and subject to the limitations of Chapter 312 (Property Redevelopment and Tax Abatement Act), provided, however, the property covered by the agreement need not be in a zone created pursuant to Chapter 312. Deletes existing text prohibiting a taxing unit from offering a tax abatement agreement to property owners in the zone after it has entered into an agreement that its tax increments would be paid into the tax increment fund pursuant to Subsection (f). Makes conforming changes.

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

EFFECTIVE DATE

Takes immediate effect if it receives two-thirds both from both houses or September 1, 2009