

1-1 By: Oliveira (Senate Sponsor - Seliger) H.B. No. 3896  
1-2 (In the Senate - Received from the House May 13, 2009;  
1-3 May 14, 2009, read first time and referred to Committee on  
1-4 Administration; May 20, 2009, rereferred to Committee on Economic  
1-5 Development; May 23, 2009, reported adversely, with favorable  
1-6 Committee Substitute by the following vote: Yeas 5, Nays 0;  
1-7 May 23, 2009, sent to printer.)

1-8 COMMITTEE SUBSTITUTE FOR H.B. No. 3896 By: Eltife

1-9 A BILL TO BE ENTITLED  
1-10 AN ACT

1-11 relating to the authority of the governing body of a municipality or  
1-12 the commissioners court of a county to enter into an ad valorem tax  
1-13 abatement agreement.

1-14 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF TEXAS:

1-15 SECTION 1. Section 312.006, Tax Code, as amended by  
1-16 Chapters 1029 (H.B. 1449) and 1505 (H.B. 1200), Acts of the 77th  
1-17 Legislature, Regular Session, 2001, is amended to read as follows:

1-18 Sec. 312.006. EXPIRATION DATE. If not continued in effect,  
1-19 this chapter expires September 1, 2019 [2009].

1-20 SECTION 2. Subchapter A, Chapter 312, Tax Code, is amended  
1-21 by adding Section 312.007 to read as follows:

1-22 Sec. 312.007. DEFERRAL OF COMMENCEMENT OF ABATEMENT PERIOD.

1-23 (a) In this section, "abatement period" means the period during  
1-24 which all or a portion of the value of real property or tangible  
1-25 personal property that is the subject of a tax abatement agreement  
1-26 is exempt from taxation.

1-27 (b) Notwithstanding any other provision of this chapter,  
1-28 the governing body of the taxing unit granting the abatement and the  
1-29 owner of the property that is the subject of the agreement may agree  
1-30 to defer the commencement of the abatement period until a date that  
1-31 is subsequent to the date the agreement is entered into, except that  
1-32 the duration of an abatement period may not exceed 10 years.

1-33 SECTION 3. Section 312.402, Tax Code, is amended by  
1-34 amending Subsection (a) and adding Subsections (a-1), (a-2), and  
1-35 (a-3) to read as follows:

1-36 (a) The commissioners court may execute a tax abatement  
1-37 agreement with the owner of taxable real property located in a  
1-38 reinvestment zone designated under this subchapter or with the  
1-39 owner of tangible personal property located on real property in a  
1-40 reinvestment zone to exempt from taxation all or a portion of the  
1-41 value of the real property, all or a portion of the value of the  
1-42 tangible personal property located on the real property, or all or a  
1-43 portion of the value of both[. The court may execute a tax  
1-44 abatement agreement with the owner of a leasehold interest in  
1-45 tax-exempt real property or leasehold interests or improvements on  
1-46 tax-exempt real property that is located in a reinvestment zone  
1-47 designated under this subchapter to exempt a portion of the value of  
1-48 tangible personal property or leasehold interests or improvements  
1-49 on tax-exempt real property located on the real property. The  
1-50 execution, duration, and other terms of an agreement made under  
1-51 this section are governed by the provisions of Sections 312.204,  
1-52 312.205, and 312.211 applicable to a municipality. Section  
1-53 312.2041 applies to an agreement made by a county under this section  
1-54 in the same manner as it applies to an agreement made by a  
1-55 municipality under Section 312.204 or 312.211].

1-56 (a-1) The commissioners court may execute a tax abatement  
1-57 agreement with the owner of a leasehold interest in tax-exempt real  
1-58 property located in a reinvestment zone designated under this  
1-59 subchapter to exempt all or a portion of the value of the leasehold  
1-60 interest in the real property. The court may execute a tax  
1-61 abatement agreement with the owner of tangible personal property or  
1-62 an improvement located on tax-exempt real property that is located  
1-63 in a designated reinvestment zone to exempt all or a portion of the

2-1 value of the tangible personal property or improvement located on  
2-2 the real property.

2-3 (a-2) The execution, duration, and other terms of an  
2-4 agreement entered into under this section are governed by the  
2-5 provisions of Sections 312.204, 312.205, and 312.211 applicable to  
2-6 a municipality. Section 312.2041 applies to an agreement entered  
2-7 into under this section in the same manner as that section applies  
2-8 to an agreement entered into under Section 312.204 or 312.211.

2-9 (a-3) The commissioners court may execute a tax abatement  
2-10 agreement with a lessee of taxable real property located in a  
2-11 reinvestment zone designated under this subchapter to exempt from  
2-12 taxation all or a portion of the value of the fixtures,  
2-13 improvements, or other real property owned by the lessee and  
2-14 located on the property that is subject to the lease, all or a  
2-15 portion of the value of tangible personal property owned by the  
2-16 lessee and located on the real property that is the subject of the  
2-17 lease, or all or a portion of the value of both the fixtures,  
2-18 improvements, or other real property and the tangible personal  
2-19 property described by this subsection.

2-20 SECTION 4. Section 312.007, Tax Code, as added by this Act,  
2-21 is intended to clarify rather than change existing law.

2-22 SECTION 5. An ad valorem tax abatement agreement that was  
2-23 executed before the effective date of this Act by the commissioners  
2-24 court of a county and an owner of taxable real property or tangible  
2-25 personal property or an owner of a leasehold interest in tax-exempt  
2-26 real property, under Section 312.402, Tax Code, as that section  
2-27 existed before the effective date of this Act, that provides for an  
2-28 exemption from taxation of all or a portion of the value of real  
2-29 property, tangible personal property, or both, or of all or a  
2-30 portion of the value of a leasehold interest in tax-exempt real  
2-31 property, that is not invalid for a reason other than an  
2-32 inconsistency with Section 312.402, Tax Code, as that section  
2-33 existed before the effective date of this Act, and that is  
2-34 consistent with Section 312.402, Tax Code, as amended by this Act,  
2-35 is ratified and validated as of the date the agreement was executed.

2-36 SECTION 6. This Act takes effect immediately if it receives  
2-37 a vote of two-thirds of all the members elected to each house, as  
2-38 provided by Section 39, Article III, Texas Constitution. If this  
2-39 Act does not receive the vote necessary for immediate effect, this  
2-40 Act takes effect September 1, 2009.

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