LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 81ST LEGISLATIVE REGULAR SESSION

March 31, 2009

TO: Honorable Rene Oliveira, Chair, House Committee on Ways & Means

FROM: John S. O'Brien, Director, Legislative Budget Board

IN RE: **HB3896** by Oliveira (Relating to the authority of the governing body of a municipality or the commissioners court of a county to enter into an ad valorem tax abatement agreement.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for HB3896, As Introduced: an impact of $0 through the biennium ending August 31, 2011.

General Revenue-Related Funds, Five-Year Impact:

Fiscal Year	Probable Net Positive/(Negative) Impact to General Revenue Related Funds
2010	$0
2011	$0
2012	$0
2013	$0
2014	$0

All Funds, Five-Year Impact:

Fiscal Year	Probable (Cost) from *Counties*	Probable (Cost) from *Cities*
2010	$0	$0
2011	($9,159,000)	($4,383,000)
2012	($18,642,000)	($8,860,000)
2013	($28,461,000)	($13,436,000)
2014	($38,632,000)	($18,113,000)

Fiscal Analysis

The bill would amend Chapter 312 of the Tax Code, regarding the Property Redevelopment and Tax Abatement Act. The bill would allow cities and counties to defer the commencement of the 10-year abatement period for an unspecified length of time mutually agreed upon by the taxing unit and the taxpayer.

The bill would repeal Section 312.006 of the Tax Code, which currently requires the expiration of Chapter 312 of the Tax Code (property tax abatements) on September 1, 2009.

The bill would take effect immediately if it were to receive the required two-thirds vote in each house; otherwise, it would take effect September 1, 2009.

Methodology

The bill's indefinite extension of the tax abatement program beyond the current expiration date of September 1, 2009 would create a cost to cities and counties. There would be no cost to school districts or the state because school districts are currently prohibited from granting property tax abatements. The Comptroller of Public Accounts estimated losses to city and county revenue by projecting the annual amount of abated value that would result from new tax abatement agreements allowed under the bill. Existing tax abatement agreements would be grandfathered and were excluded from the cost. The appropriate tax rates were applied to the projected value losses and trended over the five-year projection period.

Local Government Impact

Impact to counties and municipalities is shown in the tables above.

Source Agencies: 304 Comptroller of Public Accounts

LBB Staff: JOB, MN, DB