SENATE AMENDMENTS

2nd Printing

By: Oliveira H.B. No. 3896

A BILL TO BE ENTITLED

AN ACT

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.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF TEXAS:

SECTION 1. 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, is amended to read as follows:

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

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

Sec. 312.007. DEFERRAL OF COMMENCEMENT OF ABATEMENT PERIOD. (a) In this section, "abatement period" means the period during which all or a portion of the value of real property or tangible personal property that is the subject of a tax abatement agreement is exempt from taxation.

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

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

(a) The commissioners court may execute a tax abatement agreement with the owner of taxable real property located in a reinvestment zone designated under this subchapter or 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 court may execute 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 that is located in a reinvestment zone designated under this subchapter to exempt a portion of the value of tangible personal property or leasehold interests or improvements on tax-exempt real property located on the real property. The execution, duration, and other terms of an agreement made under this section are governed by the provisions of Sections 312.204, 312.205, and 312.211 applicable to a municipality. Section 312.2041 applies to an agreement made by a county under this section in the same manner as it applies to an agreement made by a municipality under Section 312.204 or 312.211~~].

(a-1) The commissioners court may execute a tax abatement agreement with the owner of a leasehold interest in tax-exempt real property located in a reinvestment zone designated under this subchapter to exempt all or a portion of the value of the leasehold interest in the real property. The court may 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.

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

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

SECTION 4. (a) 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, is repealed.

(b) Chapter 320, Tax Code, is repealed.

SECTION 5. Section 312.007, Tax Code, as added by this Act, is intended to clarify rather than change existing law.

SECTION 6. An ad valorem tax abatement agreement that was executed before the effective date of this Act by the commissioners court of a county and an owner of taxable real property or tangible personal property or an owner of a leasehold interest in tax-exempt real property, under Section 312.402, Tax Code, as that section existed before the effective date of this Act, that provides for an exemption from taxation of all or a portion of the value of real property, tangible personal property, or both, or of all or a portion of the value of a leasehold interest in tax-exempt real property, that is not invalid for a reason other than an inconsistency with Section 312.402, Tax Code, as that section existed before the effective date of this Act, and that is consistent with Section 312.402, Tax Code, as amended by this Act, is ratified and validated as of the date the agreement was executed.

SECTION 7. This Act takes effect immediately if it receives a vote of two-thirds of all the members elected to each house, as provided by Section 39, Article III, Texas Constitution. If this Act does not receive the vote necessary for immediate effect, this Act takes effect September 1, 2009.

ADOPTED

MAY 2 5 2009

Patsy Spaw
Secretary of the Senate

By: Seliger

H.B. No. 3896

Substitute the following for H.B. No. 3896:

By: Eltife

C.S.H.B. No. 3896

A BILL TO BE ENTITLED

AN ACT

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.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF TEXAS:

SECTION 1. 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, is amended to read as follows:

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

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

Sec. 312.007. DEFERRAL OF COMMENCEMENT OF ABATEMENT PERIOD. (a) In this section, "abatement period" means the period during which all or a portion of the value of real property or tangible personal property that is the subject of a tax abatement agreement is exempt from taxation.

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

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

(a) The commissioners court may execute a tax abatement agreement with the owner of taxable real property located in a reinvestment zone designated under this subchapter or 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 court may execute 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 that is located in a reinvestment zone designated under this subchapter to exempt a portion of the value of tangible personal property or leasehold interests or improvements on tax-exempt real property located on the real property. The execution, duration, and other terms of an agreement made under this section are governed by the provisions of Sections 312.204, 312.205, and 312.211 applicable to a municipality. Section 312.2041 applies to an agreement made by a county under this section in the same manner as it applies to an agreement made by a municipality under Section 312.204 or 312.211~~].

(a-1) The commissioners court may execute a tax abatement agreement with the owner of a leasehold interest in tax-exempt real property located in a reinvestment zone designated under this subchapter to exempt all or a portion of the value of the leasehold interest in the real property. The court may 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.

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

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

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

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

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

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 81ST LEGISLATIVE REGULAR SESSION

May 28, 2009

TO: Honorable Joe Straus, Speaker of the House, House of Representatives

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 Passed 2nd House**

Estimated Two-year Net Impact to General Revenue Related Funds for HB3896, As Passed 2nd House: an impact of $0 through the biennium ending August 31, 2011.

The bill would make no appropriation but could provide the legal basis for an appropriation of funds to implement the provisions of the bill.

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 Revenue Gain/(Loss) from *Counties*	Probable Revenue Gain/(Loss) 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 (Act).

The bill would extend the expiration date for the Act from September 1, 2009 until September 1, 2019.

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 also clarifies current language that allows abatements of real property, personal property, and leasehold interests.

The bill would ratify and validate agreements made before the effective date of the bill related to

exemptions of real or personal property or leasehold interests if the agreements are consistent with the treatment of such property as amended by the bill.

The bill would take effect immediately upon enactment, assuming that it received the requisite two-thirds majority votes in both houses of the Legislature. Otherwise, it would take effect September 1, 2009.

Methodology

According to the Comptroller of Public Accounts (CPA), the bill's provision to allow cities and counties to defer the commencement of the 10-year property tax abatement period would enable cities and counties to give advance abatement approval on projects that have long start-up times. As a result, the uncertainty regarding the profitability of the projects would be reduced. This could result in more property tax abatements, or abatements lasting for a longer time, for this kind of project. While this could entail an additional cost for taxing units, the cost would vary based on the affected projects and project time-lines.

The bill's extension of the tax abatement program beyond the current expiration date of September 1, 2009, would create a cost to cities and counties. CPA provided data from appraisal districts on the historical city and county appraised property value lost to property tax abatements under Chapter 312 of the Tax Code. Under current law, no abatements would be permitted after September 1, 2009, because the current enabling legislation is sunset on that date. The maximum length of an abatement is 10 years, so approximately one-tenth of the current abatements would expire each year after the current sunset date. This information was used to project a diminishing stream of abatement value losses under current law. Under the proposed bill, the sunset date would be extended to September 1, 2019. Abatement value losses were trended upward under the provisions of the bill, based on historical abatement loss data. The projected current law abatement value losses for cities and counties were subtracted from the projected proposed law value losses to estimate the value losses to cities and counties over the five-year projection period. The appropriate projected tax rates were applied to the city and county value losses to estimate the tax revenue losses. There would be no loss to school districts because they are prohibited from granting abatements. Consequently, there would be no loss to the state through the school finance system.

Local Government Impact

The fiscal implication to units of local government is reflected in the above table. There would be no fiscal implication to school districts because they are prohibited from granting abatements.

Source Agencies: 304 Comptroller of Public Accounts

LBB Staff: JOB, SZ, DB, JRO, MN, SD, SJS

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 81ST LEGISLATIVE REGULAR SESSION

May 22, 2009

TO: Honorable Chris Harris, Chair, Senate Committee on Economic Development

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.), **Committee Report 2nd House, Substituted**

Estimated Two-year Net Impact to General Revenue Related Funds for HB3896, Committee Report 2nd House, Substituted: an impact of $0 through the biennium ending August 31, 2011.

The bill would make no appropriation but could provide the legal basis for an appropriation of funds to implement the provisions of the bill.

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 Revenue Gain/(Loss) from *Counties*	Probable Revenue Gain/(Loss) 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 (Act).

The bill would extend the expiration date for the Act from September 1, 2009 until September 1, 2019.

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 also clarifies current language that allows abatements of real property, personal property, and leasehold interests.

The bill would ratify and validate agreements made before the effective date of the bill related to

exemptions of real or personal property or leasehold interests if the agreements are consistent with the treatment of such property as amended by the bill.

The bill would take effect immediately upon enactment, assuming that it received the requisite two-thirds majority votes in both houses of the Legislature. Otherwise, it would take effect September 1, 2009.

Methodology

According to the Comptroller of Public Accounts (CPA), the bill's provision to allow cities and counties to defer the commencement of the 10-year property tax abatement period would enable cities and counties to give advance abatement approval on projects that have long start-up times. As a result, the uncertainty regarding the profitability of the projects would be reduced. This could result in more property tax abatements, or abatements lasting for a longer time, for this kind of project. While this could entail an additional cost for taxing units, the cost would vary based on the affected projects and project time-lines.

The bill's extension of the tax abatement program beyond the current expiration date of September 1, 2009, would create a cost to cities and counties. CPA provided data from appraisal districts on the historical city and county appraised property value lost to property tax abatements under Chapter 312 of the Tax Code. Under current law, no abatements would be permitted after September 1, 2009, because the current enabling legislation is sunset on that date. The maximum length of an abatement is 10 years, so approximately one-tenth of the current abatements would expire each year after the current sunset date. This information was used to project a diminishing stream of abatement value losses under current law. Under the proposed bill, the sunset date would be extended to September 1, 2019. Abatement value losses were trended upward under the provisions of the bill, based on historical abatement loss data. The projected current law abatement value losses for cities and counties were subtracted from the projected proposed law value losses to estimate the value losses to cities and counties over the five-year projection period. The appropriate projected tax rates were applied to the city and county value losses to estimate the tax revenue losses. There would be no loss to school districts because they are prohibited from granting abatements. Consequently, there would be no loss to the state through the school finance system.

Local Government Impact

The fiscal implication to units of local government is reflected in the above table. There would be no fiscal implication to school districts because they are prohibited from granting abatements.

Source Agencies: 304 Comptroller of Public Accounts

LBB Staff: JOB, DB, JRO, MN, SD, SJS

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 81ST LEGISLATIVE REGULAR SESSION

May 21, 2009

TO: Honorable Chris Harris, Chair, Senate Committee on Economic Development

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 Engrossed**

Estimated Two-year Net Impact to General Revenue Related Funds for HB3896, As Engrossed: 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 Revenue (Loss) from *Counties*	Probable Revenue (Loss) 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 ten-year abatement period for an unspecified length of time mutually agreed upon by the taxing unit and the taxpayer. The bill also would clarify current language that allows abatements of real property, personal property, and leasehold interests.

The bill would amend Section 312.006, Tax Code, to extend the expiration date of Chapter 312 from September 1, 2009 to September 1, 2019. However, the bill would also repeal Section 312.006 of the Tax Code, also resulting in extending the provisions of the bill beyond September 1, 2009. In addition, the bill would repeal Chapter 320 of the Tax Code, regarding the savings provision associated with the abatement programs in Chapter 312.

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

Methodology

According to the Comptroller of Public Accounts, the bill's provision to allow cities and counties to defer the commencement of the 10-year property tax abatement period would enable cities and counties to give advance abatement approval on projects that have long start-up times. As a result, the uncertainty regarding the profitability of the projects would be reduced. This could result in more property tax abatements, or abatements lasting for a longer time, for this kind of project. While this could entail an additional cost for taxing units, the cost cannot be estimated because information about the affected projects and project time-lines is unavailable.

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 city and county revenue losses by projecting the annual amount of abated value that would result from new tax abatement agreements allowed under the bill. Under current law, existing tax abatement agreements are 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

The estimated revenue loss from the proposed indefinite extension of the tax abatement program beyond the current expiration date is shown in the tables.

Source Agencies: 304 Comptroller of Public Accounts

LBB Staff: JOB, JRO, DB, MN, SD, SJS

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 81ST LEGISLATIVE REGULAR SESSION

April 23, 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.), **Committee Report 1st House, Substituted**

Estimated Two-year Net Impact to General Revenue Related Funds for HB3896, Committee Report 1st House, Substituted: 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 Revenue (Loss) from *Counties*	Probable Revenue (Loss) 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 also clarifies current language that allows abatements of real property, personal property, and leasehold interests.

The bill would repeal Section 312.006 of the Tax Code, which currently requires the expiration of Chapter 312 on September 1, 2009. The bill also would repeal Chapter 320 of the Tax Code, regarding the savings provision associated with the abatement programs in Chapter 312.

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

Methodology

According to the Comptroller of Public Accounts, the bill's provision to allow cities and counties to defer the commencement of the 10-year property tax abatement period would enable cities and counties to give advance abatement approval on projects that have long start-up times. As a result, the uncertainty regarding the profitability of the projects would be reduced. This could result in more property tax abatements, or abatements lasting for a longer time, for this kind of project. While this could entail an additional cost for taxing units, the cost cannot be estimated because information about the affected projects and project time-lines is unavailable.

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 city and county revenue losses by projecting the annual amount of abated value that would result from new tax abatement agreements allowed under the bill. Under current law, existing tax abatement agreements are 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

The estimated revenue loss from the proposed indefinite extension of the tax abatement program beyond the current expiration date is shown in the tables.

Source Agencies: 304 Comptroller of Public Accounts

LBB Staff: JOB, MN, DB

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

LEGISLATIVE BUDGET BOARD
Austin, Texas

TAX/FEE EQUITY NOTE

81ST LEGISLATIVE REGULAR SESSION

April 24, 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.), **Committee Report 1st House, Substituted**

Because the bill would not create or impact a state tax or fee, no comment from this office is required by the rules of the House as to the general effects of the proposal on the distribution of tax and fee burdens among individuals and businesses.

Source Agencies:
LBB Staff: JOB, MN

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LEGISLATIVE BUDGET BOARD
Austin, Texas

TAX/FEE EQUITY NOTE

81ST LEGISLATIVE REGULAR SESSION

April 1, 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**

Because the bill would not create or impact a state tax or fee, no comment from this office is required by the rules of the House as to the general effects of the proposal on the distribution of tax and fee burdens among individuals and businesses.

Source Agencies:
LBB Staff: JOB, MN

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