

BILL ANALYSIS

C.S.H.B. 658
By: Villarreal
Ways & Means
Committee Report (Substituted)

BACKGROUND AND PURPOSE

In the 1990s, the legislature changed the school finance system to reduce state aid to school districts granting tax abatements. This change in policy discouraged school districts from providing tax abatements to companies in their districts. Legislation was subsequently passed to compensate companies that received tax abatements from cities and counties but would no longer receive the abatements from school districts. The state contribution to such compensation was capped at a certain amount for each biennium and prorated among the qualifying companies. In the early 2000s, the legislature prohibited tax abatements from school districts.

Companies have now had time to adjust to the steps the legislature had previously taken to end school district property tax abatements, and the state expenditure for compensation is no longer needed to transition companies out of the era of school district property tax abatements. C.S.H.B. 658 repeals Subchapter F, Chapter 111, Tax Code, which established the reimbursement.

RULEMAKING AUTHORITY

It is the committee's opinion that this bill does not expressly grant any additional rulemaking authority to a state officer, department, agency, or institution.

ANALYSIS

C.S.H.B. 658 repeals Subchapter F, Chapter 111, Tax Code, relating to the refund of state sales and use taxes and state franchise taxes paid in a calendar year by a person who paid property taxes to a school district on property that in that year is located in a reinvestment zone established under the Property Redevelopment and Tax Abatement Act, is exempt in whole or in part from the payment of property taxes imposed by a municipality or a county under a tax abatement agreement entered into with the municipality or county under that act, and is not subject to a tax abatement agreement or an agreement to limit the appraised value of property under the Texas Economic Development Act entered into by the school district.

C.S.H.B. 658 establishes that the repeal of Subchapter F, Chapter 111, Tax Code, does not affect an eligible person's right to claim a refund of state sales and use and state franchise taxes that was established under provisions of that law entitling a person to such a refund of state taxes in relation to taxes paid before the bill's effective date in a calendar year for which the person paid property taxes to a school district before the bill's effective date. The bill establishes that an eligible person's right to claim such a refund is governed by the law in effect on the date the right to claim the refund was established, and that the former law is continued in effect for that purpose.

EFFECTIVE DATE

September 1, 2011.

COMPARISON OF ORIGINAL AND SUBSTITUTE

C.S.H.B. 658 includes provisions not in the original to specify that the payment of taxes establishing a person's right to a tax refund to which the substitute's saving provisions apply are taxes paid before the substitute's effective date in a calendar year for which the person paid property taxes to a school district before the substitute's effective date and that the right to claim that tax refund under provisions of law repealed by the substitute is the right of an eligible person. The substitute makes its provisions effective September 1, 2011, rather than January 1, 2012, as in the original.