

1-1 By: J. Davis of Harris, et al. H.B. No. 2853  
1-2 (Senate Sponsor - Jackson)  
1-3 (In the Senate - Received from the House May 4, 2011;  
1-4 May 5, 2011, read first time and referred to Committee on Economic  
1-5 Development; May 13, 2011, reported favorably by the following  
1-6 vote: Yeas 6, Nays 0; May 13, 2011, sent to printer.)

1-7 A BILL TO BE ENTITLED  
1-8 AN ACT

1-9 relating to tax increment financing.

1-10 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF TEXAS:

1-11 SECTION 1. Section 311.002(1), Tax Code, is amended to read  
1-12 as follows:

1-13 (1) "Project costs" means the expenditures made or  
1-14 estimated to be made and monetary obligations incurred or estimated  
1-15 to be incurred by the municipality or county designating  
1-16 ~~[establishing]~~ a reinvestment zone that are listed in the project  
1-17 plan as costs of public works, ~~[or]~~ public improvements, programs,  
1-18 or other projects benefiting ~~[in]~~ the zone, plus other costs  
1-19 incidental to those expenditures and obligations. "Project costs"  
1-20 include:

1-21 (A) capital costs, including the actual costs of  
1-22 the acquisition and construction of public works, public  
1-23 improvements, new buildings, structures, and fixtures; the actual  
1-24 costs of the acquisition, demolition, alteration, remodeling,  
1-25 repair, or reconstruction of existing buildings, structures, and  
1-26 fixtures; the actual costs of the remediation of conditions that  
1-27 contaminate public or private land or buildings; the actual costs  
1-28 of the preservation of the facade of a public or private building;  
1-29 the actual costs of the demolition of public or private buildings;  
1-30 and the actual costs of the acquisition of land and equipment and  
1-31 the clearing and grading of land;

1-32 (B) financing costs, including all interest paid  
1-33 to holders of evidences of indebtedness or other obligations issued  
1-34 to pay for project costs and any premium paid over the principal  
1-35 amount of the obligations because of the redemption of the  
1-36 obligations before maturity;

1-37 (C) real property assembly costs;

1-38 (D) professional service costs, including those  
1-39 incurred for architectural, planning, engineering, and legal  
1-40 advice and services;

1-41 (E) imputed administrative costs, including  
1-42 reasonable charges for the time spent by employees of the  
1-43 municipality or county in connection with the implementation of a  
1-44 project plan;

1-45 (F) relocation costs;

1-46 (G) organizational costs, including the costs of  
1-47 conducting environmental impact studies or other studies, the cost  
1-48 of publicizing the creation of the zone, and the cost of  
1-49 implementing the project plan for the zone;

1-50 (H) interest before and during construction and  
1-51 for one year after completion of construction, whether or not  
1-52 capitalized;

1-53 (I) the cost of operating the reinvestment zone  
1-54 and project facilities;

1-55 (J) the amount of any contributions made by the  
1-56 municipality or county from general revenue for the implementation  
1-57 of the project plan; ~~and~~

1-58 (K) the costs of a program described by Section  
1-59 311.010(h);

1-60 (L) the costs of school buildings, other  
1-61 educational buildings, other educational facilities, or other  
1-62 buildings owned by or on behalf of a school district, community  
1-63 college district, or other political subdivision of this state; and

1-64 (M) payments made at the discretion of the

2-1 governing body of the municipality or county that the governing  
2-2 body finds necessary or convenient to the creation of the zone or to  
2-3 the implementation of the project plans for the zone.

2-4 SECTION 2. Section 311.003(b), Tax Code, is amended to read  
2-5 as follows:

2-6 (b) Before adopting an ordinance or order designating  
2-7 [~~providing for~~] a reinvestment zone, the governing body of the  
2-8 municipality or county must prepare a preliminary reinvestment zone  
2-9 financing plan. [~~As soon as the plan is completed, a copy of the~~  
2-10 ~~plan must be sent to the governing body of each taxing unit that~~  
2-11 ~~levies taxes on real property in the proposed zone.~~]

2-12 SECTION 3. Section 311.005(a), Tax Code, is amended to read  
2-13 as follows:

2-14 (a) To be designated as a reinvestment zone, an area must:  
2-15 (1) substantially arrest or impair the sound growth of  
2-16 the municipality or county designating [~~creating~~] the zone, retard  
2-17 the provision of housing accommodations, or constitute an economic  
2-18 or social liability and be a menace to the public health, safety,  
2-19 morals, or welfare in its present condition and use because of the  
2-20 presence of:

2-21 (A) a substantial number of substandard, slum,  
2-22 deteriorated, or deteriorating structures;

2-23 (B) the predominance of defective or inadequate  
2-24 sidewalk or street layout;

2-25 (C) faulty lot layout in relation to size,  
2-26 adequacy, accessibility, or usefulness;

2-27 (D) unsanitary or unsafe conditions;

2-28 (E) the deterioration of site or other  
2-29 improvements;

2-30 (F) tax or special assessment delinquency  
2-31 exceeding the fair value of the land;

2-32 (G) defective or unusual conditions of title;

2-33 (H) conditions that endanger life or property by  
2-34 fire or other cause; or

2-35 (I) structures, other than single-family  
2-36 residential structures, less than 10 percent of the square footage  
2-37 of which has been used for commercial, industrial, or residential  
2-38 purposes during the preceding 12 years, if the municipality has a  
2-39 population of 100,000 or more;

2-40 (2) be predominantly open, undeveloped, or  
2-41 underdeveloped and, because of obsolete platting, deterioration of  
2-42 structures or site improvements, or other factors, substantially  
2-43 impair or arrest the sound growth of the municipality or county;

2-44 (3) be in a federally assisted new community located  
2-45 in the municipality or county or in an area immediately adjacent to  
2-46 a federally assisted new community; or

2-47 (4) be an area described in a petition requesting that  
2-48 the area be designated as a reinvestment zone, if the petition is  
2-49 submitted to the governing body of the municipality or county by the  
2-50 owners of property constituting at least 50 percent of the  
2-51 appraised value of the property in the area according to the most  
2-52 recent certified appraisal roll for the county in which the area is  
2-53 located.

2-54 SECTION 4. Sections 311.006(a) and (b), Tax Code, are  
2-55 amended to read as follows:

2-56 (a) A municipality may not designate [~~create~~] a  
2-57 reinvestment zone if:

2-58 (1) more than 30 [~~10~~] percent of the property in the  
2-59 proposed zone, excluding property that is publicly owned, is used  
2-60 for residential purposes; or

2-61 (2) the total appraised value of taxable real property  
2-62 in the proposed zone and in existing reinvestment zones exceeds:

2-63 (A) 25 [~~20~~] percent of the total appraised value  
2-64 of taxable real property in the municipality and in the industrial  
2-65 districts created by the municipality, if the municipality has a  
2-66 population of 100,000 or more [~~is the county seat of a county:~~

2-67 [~~(i) that is adjacent to a county with a~~  
2-68 ~~population of 3.3 million or more, and~~

2-69 [~~(ii) in which a planned community is~~

3-1 ~~located that has 20,000 or more acres of land, that was originally~~  
 3-2 ~~established under the Urban Growth and New Community Development~~  
 3-3 ~~Act of 1970 (42 U.S.C. Section 4501 et seq.), and that is subject to~~  
 3-4 ~~restrictive covenants containing ad valorem or annual variable~~  
 3-5 ~~budget-based assessments on real property]; or~~

3-6 (B) 50 ~~[15]~~ percent of the total appraised value  
 3-7 of taxable real property in the municipality and in the industrial  
 3-8 districts created by the municipality, if ~~[Paragraph (A) does not~~  
 3-9 ~~apply to]~~ the municipality has a population of less than 100,000.

3-10 (b) A municipality may not change the boundaries of an  
 3-11 existing reinvestment zone to include property in excess of the  
 3-12 restrictions on composition of a zone described by Subsection (a)  
 3-13 ~~[more than 10 percent of which, excluding property dedicated to~~  
 3-14 ~~public use, is used for residential purposes or to include more than~~  
 3-15 ~~15 percent of the total appraised value of taxable real property in~~  
 3-16 ~~the municipality and in the industrial districts created by the~~  
 3-17 ~~municipality].~~

3-18 SECTION 5. The heading to Section 311.007, Tax Code, is  
 3-19 amended to read as follows:

3-20 Sec. 311.007. CHANGING BOUNDARIES OR TERM OF EXISTING ZONE.

3-21 SECTION 6. Section 311.007, Tax Code, is amended by adding  
 3-22 Subsection (c) to read as follows:

3-23 (c) The governing body of the municipality or county that  
 3-24 designated a reinvestment zone by ordinance or resolution or by  
 3-25 order or resolution, respectively, may extend the term of all or a  
 3-26 portion of the zone after notice and hearing in the manner provided  
 3-27 for the designation of the zone. A taxing unit other than the  
 3-28 municipality or county that designated the zone is not required to  
 3-29 participate in the zone or portion of the zone for the extended term  
 3-30 unless the taxing unit enters into a written agreement to do so.

3-31 SECTION 7. Section 311.008(b), Tax Code, is amended to read  
 3-32 as follows:

3-33 (b) A municipality or county may exercise any power  
 3-34 necessary and convenient to carry out this chapter, including the  
 3-35 power to:

3-36 (1) cause project plans to be prepared, approve and  
 3-37 implement the plans, and otherwise achieve the purposes of the  
 3-38 plan;

3-39 (2) acquire real property by purchase, condemnation,  
 3-40 or other means ~~[to implement project plans]~~ and sell real ~~[that]~~  
 3-41 property, on the terms and conditions and in the manner it considers  
 3-42 advisable, to implement project plans;

3-43 (3) enter into agreements, including agreements with  
 3-44 bondholders, determined by the governing body of the municipality  
 3-45 or county to be necessary or convenient to implement project plans  
 3-46 and achieve their purposes, which agreements may include  
 3-47 conditions, restrictions, or covenants that run with the land or  
 3-48 that by other means regulate or restrict the use of land; and

3-49 (4) consistent with the project plan for the zone:

3-50 (A) acquire blighted, deteriorated,  
 3-51 deteriorating, undeveloped, or inappropriately developed real  
 3-52 property or other property in a blighted area or in a federally  
 3-53 assisted new community in the zone for the preservation or  
 3-54 restoration of historic sites, beautification or conservation, the  
 3-55 provision of public works or public facilities, or other public  
 3-56 purposes;

3-57 (B) acquire, construct, reconstruct, or install  
 3-58 public works, facilities, or sites or other public improvements,  
 3-59 including utilities, streets, street lights, water and sewer  
 3-60 facilities, pedestrian malls and walkways, parks, flood and  
 3-61 drainage facilities, or parking facilities, but not including  
 3-62 educational facilities; or

3-63 (C) in a reinvestment zone created on or before  
 3-64 September 1, 1999, acquire, construct, or reconstruct educational  
 3-65 facilities in the municipality.

3-66 SECTION 8. Sections 311.009(a), (b), and (e), Tax Code, are  
 3-67 amended to read as follows:

3-68 (a) Except as provided by Subsection (b), the board of  
 3-69 directors of a reinvestment zone consists of at least five and not

4-1 more than 15 members, unless more than 15 members are required to  
 4-2 satisfy the requirements of this subsection. Each taxing unit  
 4-3 other than the municipality or county that designated ~~created~~ the  
 4-4 zone that levies taxes on real property in the zone may appoint one  
 4-5 member of the board if the taxing unit has approved the payment of  
 4-6 all or part of the tax increment produced by the unit into the tax  
 4-7 increment fund for the zone. A unit may waive its right to appoint a  
 4-8 director. The governing body of the municipality or county that  
 4-9 designated ~~created~~ the zone may appoint not more than 10  
 4-10 directors to the board; except that if there are fewer than five  
 4-11 directors appointed by taxing units other than the municipality or  
 4-12 county, the governing body of the municipality or county may  
 4-13 appoint more than 10 members as long as the total membership of the  
 4-14 board does not exceed 15.

4-15 (b) If the zone was designated under Section 311.005(a)(4),  
 4-16 the governing body of the municipality or county that designated  
 4-17 the zone may provide that the board of directors of the zone  
 4-18 consists of nine members appointed as provided by this subsection,  
 4-19 unless more than nine members are required to comply with this  
 4-20 subsection. Each taxing unit ~~[school district, county, or~~  
 4-21 ~~municipality]~~, other than the municipality or county that  
 4-22 designated ~~created~~ the zone, that levies taxes on real property  
 4-23 in the zone may appoint one member of the board if the taxing unit  
 4-24 ~~[school district, county, or municipality]~~ has approved the payment  
 4-25 of all or part of the tax increment produced by the unit into the tax  
 4-26 increment fund for the zone. The member of the state senate in  
 4-27 whose district the zone is located is a member of the board, and the  
 4-28 member of the state house of representatives in whose district the  
 4-29 zone is located is a member of the board, except that either may  
 4-30 designate another individual to serve in the member's place at the  
 4-31 pleasure of the member. If the zone is located in more than one  
 4-32 senate or house district, this subsection applies only to the  
 4-33 senator or representative in whose district a larger portion of the  
 4-34 zone is located than any other senate or house district, as  
 4-35 applicable. If fewer than seven taxing units, other than the  
 4-36 municipality or county that designated the zone, are eligible to  
 4-37 appoint members of the board of directors of the zone, the  
 4-38 municipality or county may appoint a number of members of the board  
 4-39 such that the board comprises nine members. If at least seven  
 4-40 taxing units, other than the municipality or county that designated  
 4-41 the zone, are eligible to appoint members of the board of directors  
 4-42 of the zone, the municipality or county may appoint one member. ~~[The~~  
 4-43 ~~remaining members of the board are appointed by the governing body~~  
 4-44 ~~of the municipality or county that created the zone.]~~

4-45 (e) To be eligible for appointment to the board by the  
 4-46 governing body of the municipality or county that designated  
 4-47 ~~created~~ the zone, an individual must be at least 18 years of age  
 4-48 and:

4-49 (1) if the board is covered by Subsection (a):  
 4-50 (A) be a resident of the county in which the zone  
 4-51 is located or a county adjacent to that county ~~[qualified voter of~~  
 4-52 ~~the municipality or county, as applicable]~~; or  
 4-53 (B) ~~[be at least 18 years of age and]~~ own real  
 4-54 property in the zone, whether or not the individual resides in the  
 4-55 ~~[municipality or]~~ county in which the zone is located or a county  
 4-56 adjacent to that county; or

4-57 (2) if the board is covered by Subsection (b), [+  
 4-58 [(A) be at least 18 years of age, and  
 4-59 [(B)] own real property in the zone or be an  
 4-60 employee or agent of a person that owns real property in the zone.

4-61 SECTION 9. Section 311.0091, Tax Code, is amended by  
 4-62 amending Subsection (f) and adding Subsection (i) to read as  
 4-63 follows:

4-64 (f) Except as provided by Subsection (i), to ~~[To]~~ be  
 4-65 eligible for appointment to the board, an individual must:

4-66 (1) be a qualified voter of the municipality; or  
 4-67 (2) be at least 18 years of age and own real property  
 4-68 in the zone or be an employee or agent of a person that owns real  
 4-69 property in the zone.

5-1 (i) The eligibility criteria for appointment to the board  
 5-2 specified by Subsection (f) do not apply to an individual appointed  
 5-3 by a conservation and reclamation district:

5-4 (1) created under Section 59, Article XVI, Texas  
 5-5 Constitution; and

5-6 (2) the jurisdiction of which covers four counties.

5-7 SECTION 10. Sections 311.010(g) and (h), Tax Code, are  
 5-8 amended to read as follows:

5-9 (g) Chapter 252, Local Government Code, does not apply to a  
 5-10 dedication, pledge, or other use of revenue in the tax increment  
 5-11 fund for a reinvestment zone [~~by the board of directors of the zone~~  
 5-12 ~~in carrying out its powers]~~ under Subsection (b).

5-13 (h) Subject to the approval of the governing body of the  
 5-14 municipality or county that designated [~~created~~] the zone, the  
 5-15 board of directors of a reinvestment zone, as necessary or  
 5-16 convenient to implement the project plan and reinvestment zone  
 5-17 financing plan and achieve their purposes, may establish and  
 5-18 provide for the administration of one or more programs for the  
 5-19 public purposes of developing and diversifying the economy of the  
 5-20 zone, eliminating unemployment and underemployment in the zone, and  
 5-21 developing or expanding transportation, business, and commercial  
 5-22 activity in the zone, including programs to make grants and loans  
 5-23 [~~from the tax increment fund of the zone in an aggregate amount not~~  
 5-24 ~~to exceed the amount of the tax increment produced by the~~  
 5-25 ~~municipality and paid into the tax increment fund for the zone]~~ for  
 5-26 activities that benefit the zone and stimulate business and  
 5-27 commercial activity in the zone. For purposes of this subsection,  
 5-28 on approval of the municipality or county, the board of directors of  
 5-29 the zone has all the powers of a municipality under Chapter 380,  
 5-30 Local Government Code. The approval required by this subsection  
 5-31 may be granted in an ordinance, in the case of a zone designated by a  
 5-32 municipality, or in an order, in the case of a zone designated by a  
 5-33 county, approving a project plan or reinvestment zone financing  
 5-34 plan or approving an amendment to a project plan or reinvestment  
 5-35 zone financing plan.

5-36 SECTION 11. Section 311.011, Tax Code, is amended by  
 5-37 amending Subsections (a), (b), (c), (d), and (g) and adding  
 5-38 Subsection (h) to read as follows:

5-39 (a) The board of directors of a reinvestment zone shall  
 5-40 prepare and adopt a project plan and a reinvestment zone financing  
 5-41 plan for the zone and submit the plans to the governing body of the  
 5-42 municipality or county that designated [~~created~~] the zone. [~~The~~  
 5-43 ~~plans must be as consistent as possible with the preliminary plans~~  
 5-44 ~~developed for the zone before the creation of the board.]~~

5-45 (b) The project plan must include:

5-46 (1) a description of [~~map showing~~] existing uses and  
 5-47 conditions of real property in the zone and [~~a map showing~~] proposed  
 5-48 [~~improvements to and proposed~~] uses of that property;

5-49 (2) proposed changes of zoning ordinances, [~~the master~~  
 5-50 ~~plan of the municipality,~~] building codes, other municipal  
 5-51 ordinances, and subdivision rules and regulations, if any, of the  
 5-52 county, if applicable; and

5-53 (3) [~~a list of estimated nonproject costs, and~~  
 5-54 ~~(4)~~] a statement of a method of relocating persons to  
 5-55 be displaced, if any, as a result of implementing the plan.

5-56 (c) The reinvestment zone financing plan must include:

5-57 (1) a detailed list describing the estimated project  
 5-58 costs of the zone, including administrative expenses;

5-59 (2) a statement listing the proposed kind, number, and  
 5-60 location of all [~~proposed~~] public works or public improvements to  
 5-61 be financed by [~~in~~] the zone;

5-62 (3) a finding that the plan is economically feasible  
 5-63 [~~an economic feasibility study];~~

5-64 (4) the estimated amount of bonded indebtedness to be  
 5-65 incurred;

5-66 (5) the estimated time when related costs or monetary  
 5-67 obligations are to be incurred;

5-68 (6) a description of the methods of financing all  
 5-69 estimated project costs and the expected sources of revenue to

6-1 finance or pay project costs, including the percentage of tax  
 6-2 increment to be derived from the property taxes of each taxing unit  
 6-3 anticipated to contribute tax increment to the zone that levies  
 6-4 taxes on real property in the zone;

6-5 (7) the current total appraised value of taxable real  
 6-6 property in the zone;

6-7 (8) the estimated captured appraised value of the zone  
 6-8 during each year of its existence; and

6-9 (9) the duration of the zone.

6-10 (d) The governing body of the municipality or county that  
 6-11 designated ~~created~~ the zone must approve a project plan or  
 6-12 reinvestment zone financing plan after its adoption by the board.  
 6-13 The approval must be by ordinance, in the case of a municipality, or  
 6-14 by order, in the case of a county, that finds that the plan is  
 6-15 feasible ~~[and conforms to the master plan, if any, of the~~  
 6-16 ~~municipality or to subdivision rules and regulations, if any, of~~  
 6-17 ~~the county].~~

6-18 (g) ~~A [An amendment to the project plan or the reinvestment~~  
 6-19 ~~zone financing plan for a zone does not apply to a] school district~~  
 6-20 ~~that participates in a [the] zone is not required to increase the~~  
 6-21 ~~percentage or amount of the tax increment to be contributed by the~~  
 6-22 ~~school district because of an amendment to the project plan or~~  
 6-23 ~~reinvestment zone financing plan for the zone unless the governing~~  
 6-24 ~~body of the school district by official action approves the~~  
 6-25 ~~amendment [ , if the amendment:~~

6-26 ~~[(1) has the effect of directly or indirectly~~  
 6-27 ~~increasing the percentage or amount of the tax increment to be~~  
 6-28 ~~contributed by the school district; or~~

6-29 ~~[(2) requires or authorizes the municipality or county~~  
 6-30 ~~creating the zone to issue additional tax increment bonds or~~  
 6-31 ~~notes].~~

6-32 (h) Unless specifically provided otherwise in the plan, all  
 6-33 amounts contained in the project plan or reinvestment zone  
 6-34 financing plan, including amounts of expenditures relating to  
 6-35 project costs and amounts relating to participation by taxing  
 6-36 units, are considered estimates and do not act as a limitation on  
 6-37 the described items. This subsection may not be construed to  
 6-38 increase the amount of any reduction under Section 403.302(d)(4),  
 6-39 Government Code, in the total taxable value of the property in a  
 6-40 school district that participates in the zone as computed under  
 6-41 Section 403.302(d) of that code.

6-42 SECTION 12. Sections 311.012(b) and (c), Tax Code, are  
 6-43 amended to read as follows:

6-44 (b) The captured appraised value of real property taxable by  
 6-45 a taxing unit for a year is the total taxable ~~appraised~~ value of  
 6-46 all real property taxable by the unit and located in a reinvestment  
 6-47 zone for that year less the tax increment base of the unit.

6-48 (c) The tax increment base of a taxing unit is the total  
 6-49 taxable ~~appraised~~ value of all real property taxable by the unit  
 6-50 and located in a reinvestment zone for the year in which the zone  
 6-51 was designated under this chapter. If the boundaries of a zone are  
 6-52 enlarged, the tax increment base is increased by the taxable value  
 6-53 of the real property added to the zone for the year in which the  
 6-54 property was added. If the boundaries of a zone are reduced, the  
 6-55 tax increment base is reduced by the taxable value of the real  
 6-56 property removed from the zone for the year in which the property  
 6-57 was originally included in the zone's boundaries. If the  
 6-58 municipality that designates a zone does not levy an ad valorem tax  
 6-59 in the year in which the zone is designated, the tax increment base  
 6-60 is determined by the appraisal district in which the zone is located  
 6-61 using assumptions regarding exemptions and other relevant  
 6-62 information provided to the appraisal district by the municipality.

6-63 SECTION 13. Sections 311.013(f) and (l), Tax Code, are  
 6-64 amended to read as follows:

6-65 (f) A taxing unit is not required to pay into the tax  
 6-66 increment fund any of its tax increment produced from property  
 6-67 located in a reinvestment zone designated under Section 311.005(a)  
 6-68 or in an area added to a reinvestment zone under Section 311.007  
 6-69 unless the taxing unit enters into an agreement to do so with the

7-1 governing body of the municipality or county that designated  
 7-2 ~~created~~ the zone. A taxing unit may enter into an agreement under  
 7-3 this subsection at any time before or after the zone is designated  
 7-4 ~~created~~ or enlarged. The agreement may include conditions for  
 7-5 payment of that tax increment into the fund and must specify the  
 7-6 portion of the tax increment to be paid into the fund and the years  
 7-7 for which that tax increment is to be paid into the fund. In  
 7-8 addition to any other terms to which the parties may agree, the  
 7-9 agreement may specify the projects to which a participating taxing  
 7-10 unit's tax increment will be dedicated and that the taxing unit's  
 7-11 participation may be computed with respect to a base year later than  
 7-12 the original base year of the zone. The agreement and the conditions  
 7-13 in the agreement are binding on the taxing unit, the municipality or  
 7-14 county, and the board of directors of the zone.

7-15 (1) The governing body of a municipality or county that  
 7-16 designates an area as a reinvestment zone may determine, in the  
 7-17 designating ordinance or order adopted under Section 311.003 or in  
 7-18 the ordinance or order adopted under Section 311.011 approving the  
 7-19 reinvestment zone financing plan for the zone, the portion of the  
 7-20 tax increment produced by the municipality or county that the  
 7-21 municipality or county is required to pay into the tax increment  
 7-22 fund for the zone. If a municipality or county does not determine  
 7-23 the portion of the tax increment produced by the municipality or  
 7-24 county that the municipality or county is required to pay into the  
 7-25 tax increment fund for a reinvestment zone, the municipality or  
 7-26 county is required to pay into the fund for the zone the entire tax  
 7-27 increment produced by the municipality or county, except as  
 7-28 provided by Subsection (b)(1).

7-29 SECTION 14. Section 311.014(b), Tax Code, is amended to  
 7-30 read as follows:

7-31 (b) Money may be disbursed from the fund only to satisfy  
 7-32 claims of holders of tax increment bonds or notes issued for the  
 7-33 zone, to pay project costs for the zone, to make payments pursuant  
 7-34 to an agreement made under Section 311.010(b) or a program under  
 7-35 Section 311.010(h) dedicating revenue from the tax increment fund,  
 7-36 or to repay other obligations incurred for the zone.

7-37 SECTION 15. Sections 311.015(a) and (1), Tax Code, are  
 7-38 amended to read as follows:

7-39 (a) A municipality designating ~~creating~~ a reinvestment  
 7-40 zone may issue tax increment bonds or notes, the proceeds of which  
 7-41 may be used to make payments pursuant to agreements made under  
 7-42 Section 311.010(b), to make payments pursuant to programs under  
 7-43 Section 311.010(h), to pay project costs for the reinvestment zone  
 7-44 on behalf of which the bonds or notes were issued, or to satisfy  
 7-45 claims of holders of the bonds or notes. The municipality may issue  
 7-46 refunding bonds or notes for the payment or retirement of tax  
 7-47 increment bonds or notes previously issued by it.

7-48 (1) A tax increment bond or note must mature on or before the  
 7-49 date by which the final payments of tax increment into the tax  
 7-50 increment fund are due ~~[within 20 years of the date of issue]~~.

7-51 SECTION 16. Section 311.016(a), Tax Code, is amended to  
 7-52 read as follows:

7-53 (a) On or before the 150th ~~90th~~ day following the end of  
 7-54 the fiscal year of the municipality or county, the governing body of  
 7-55 a municipality or county shall submit to the chief executive  
 7-56 officer of each taxing unit that levies property taxes on real  
 7-57 property in a reinvestment zone created by the municipality or  
 7-58 county a report on the status of the zone. The report must include:

7-59 (1) the amount and source of revenue in the tax  
 7-60 increment fund established for the zone;

7-61 (2) the amount and purpose of expenditures from the  
 7-62 fund;

7-63 (3) the amount of principal and interest due on  
 7-64 outstanding bonded indebtedness;

7-65 (4) the tax increment base and current captured  
 7-66 appraised value retained by the zone; and

7-67 (5) the captured appraised value shared by the  
 7-68 municipality or county and other taxing units, the total amount of  
 7-69 tax increments received, and any additional information necessary

8-1 to demonstrate compliance with the tax increment financing plan  
8-2 adopted by the governing body of the municipality or county.

8-3 SECTION 17. Section 311.016(b), Tax Code, as amended by  
8-4 Chapters 977 (H.B. 1820) and 1094 (H.B. 2120), Acts of the 79th  
8-5 Legislature, Regular Session, 2005, is reenacted to read as  
8-6 follows:

8-7 (b) The municipality or county shall send a copy of a report  
8-8 made under this section to:

- 8-9 (1) the attorney general; and
- 8-10 (2) the comptroller.

8-11 SECTION 18. Section 311.017(a), Tax Code, is amended to  
8-12 read as follows:

8-13 (a) A reinvestment zone terminates on the earlier of:

8-14 (1) the termination date designated in the ordinance  
8-15 or order, as applicable, designating [~~creating~~] the zone or an  
8-16 earlier or later termination date designated by an ordinance or  
8-17 order adopted under Section 311.007(c) [~~subsequent to the ordinance~~  
8-18 ~~or order creating the zone~~]; or

8-19 (2) the date on which all project costs, tax increment  
8-20 bonds and interest on those bonds, and other obligations have been  
8-21 paid in full.

8-22 SECTION 19. Chapter 311, Tax Code, is amended by adding  
8-23 Section 311.021 to read as follows:

8-24 Sec. 311.021. ACT OR PROCEEDING PRESUMED VALID. (a) A  
8-25 governmental act or proceeding of a municipality or county, the  
8-26 board of directors of a reinvestment zone, or an entity acting under  
8-27 Section 311.010(f) relating to the designation, operation, or  
8-28 administration of a reinvestment zone or the implementation of a  
8-29 project plan or reinvestment zone financing plan under this chapter  
8-30 is conclusively presumed, as of the date it occurred, valid and to  
8-31 have occurred in accordance with all applicable statutes and rules  
8-32 if:

8-33 (1) the second anniversary of the effective date of  
8-34 the act or proceeding has expired; and

8-35 (2) a lawsuit to annul or invalidate the act or  
8-36 proceeding has not been filed on or before the later of that second  
8-37 anniversary or August 1, 2011.

8-38 (b) This section does not apply to:

8-39 (1) an act or proceeding that was void at the time it  
8-40 occurred;

8-41 (2) an act or proceeding that, under a statute of this  
8-42 state or the United States, was a misdemeanor or felony at the time  
8-43 the act or proceeding occurred;

8-44 (3) a rule that, at the time it was passed, was  
8-45 preempted by a statute of this state or the United States, including  
8-46 Section 1.06 or 109.57, Alcoholic Beverage Code; or

8-47 (4) a matter that on the effective date of the Act  
8-48 enacting this section:

8-49 (A) is involved in litigation if the litigation  
8-50 ultimately results in the matter being held invalid by a final  
8-51 judgment of a court; or

8-52 (B) has been held invalid by a final judgment of a  
8-53 court.

8-54 SECTION 20. Section 403.302(d), Government Code, as amended  
8-55 by Chapters 1186 (H.B. 3676) and 1328 (H.B. 3646), Acts of the 81st  
8-56 Legislature, Regular Session, 2009, is reenacted and amended to  
8-57 read as follows:

8-58 (d) For the purposes of this section, "taxable value" means  
8-59 the market value of all taxable property less:

8-60 (1) the total dollar amount of any residence homestead  
8-61 exemptions lawfully granted under Section 11.13(b) or (c), Tax  
8-62 Code, in the year that is the subject of the study for each school  
8-63 district;

8-64 (2) one-half of the total dollar amount of any  
8-65 residence homestead exemptions granted under Section 11.13(n), Tax  
8-66 Code, in the year that is the subject of the study for each school  
8-67 district;

8-68 (3) the total dollar amount of any exemptions granted  
8-69 before May 31, 1993, within a reinvestment zone under agreements



9-1 authorized by Chapter 312, Tax Code;

9-2 (4) subject to Subsection (e), the total dollar amount

9-3 of any captured appraised value of property that:

9-4 (A) is within a reinvestment zone created on or

9-5 before May 31, 1999, or is proposed to be included within the

9-6 boundaries of a reinvestment zone as the boundaries of the zone and

9-7 the proposed portion of tax increment paid into the tax increment

9-8 fund by a school district are described in a written notification

9-9 provided by the municipality or the board of directors of the zone

9-10 to the governing bodies of the other taxing units in the manner

9-11 provided by former Section 311.003(e), Tax Code, before May 31,

9-12 1999, and within the boundaries of the zone as those boundaries

9-13 existed on September 1, 1999, including subsequent improvements to

9-14 the property regardless of when made;

9-15 (B) generates taxes paid into a tax increment

9-16 fund created under Chapter 311, Tax Code, under a reinvestment zone

9-17 financing plan approved under Section 311.011(d), Tax Code, on or

9-18 before September 1, 1999; and

9-19 (C) is eligible for tax increment financing under

9-20 Chapter 311, Tax Code;

9-21 (5) the total dollar amount of any captured appraised

9-22 value of property that:

9-23 (A) is within a reinvestment zone:

9-24 (i) created on or before December 31, 2008,

9-25 by a municipality with a population of less than 18,000; and

9-26 (ii) the project plan for which includes

9-27 the alteration, remodeling, repair, or reconstruction of a

9-28 structure that is included on the National Register of Historic

9-29 Places and requires that a portion of the tax increment of the zone

9-30 be used for the improvement or construction of related facilities

9-31 or for affordable housing;

9-32 (B) generates school district taxes that are paid

9-33 into a tax increment fund created under Chapter 311, Tax Code; and

9-34 (C) is eligible for tax increment financing under

9-35 Chapter 311, Tax Code;

9-36 (6) the total dollar amount of any exemptions granted

9-37 under Section 11.251 or 11.253, Tax Code;

9-38 (7) the difference between the comptroller's estimate

9-39 of the market value and the productivity value of land that

9-40 qualifies for appraisal on the basis of its productive capacity,

9-41 except that the productivity value estimated by the comptroller may

9-42 not exceed the fair market value of the land;

9-43 (8) the portion of the appraised value of residence

9-44 homesteads of individuals who receive a tax limitation under

9-45 Section 11.26, Tax Code, on which school district taxes are not

9-46 imposed in the year that is the subject of the study, calculated as

9-47 if the residence homesteads were appraised at the full value

9-48 required by law;

9-49 (9) a portion of the market value of property not

9-50 otherwise fully taxable by the district at market value because of:

9-51 (A) action required by statute or the

9-52 constitution of this state that, if the tax rate adopted by the

9-53 district is applied to it, produces an amount equal to the

9-54 difference between the tax that the district would have imposed on

9-55 the property if the property were fully taxable at market value and

9-56 the tax that the district is actually authorized to impose on the

9-57 property, if this subsection does not otherwise require that

9-58 portion to be deducted; or

9-59 (B) action taken by the district under Subchapter

9-60 B or C, Chapter 313, Tax Code, before the expiration of the

9-61 subchapter;

9-62 (10) the market value of all tangible personal

9-63 property, other than manufactured homes, owned by a family or

9-64 individual and not held or used for the production of income;

9-65 (11) the appraised value of property the collection of

9-66 delinquent taxes on which is deferred under Section 33.06, Tax

9-67 Code;

9-68 (12) the portion of the appraised value of property

9-69 the collection of delinquent taxes on which is deferred under

10-1 Section 33.065, Tax Code; and  
 10-2 (13) the amount by which the market value of a  
 10-3 residence homestead to which Section 23.23, Tax Code, applies  
 10-4 exceeds the appraised value of that property as calculated under  
 10-5 that section.

10-6 SECTION 21. Section 403.302(m), Government Code, as added  
 10-7 by Chapter 1186 (H.B. 3676), Acts of the 81st Legislature, Regular  
 10-8 Session, 2009, is amended to conform to Section 80, Chapter 1328  
 10-9 (H.B. 3646), Acts of the 81st Legislature, Regular Session, 2009,  
 10-10 to read as follows:

10-11 (m) Subsection (d)(9) [~~(a)(10)~~] does not apply to property  
 10-12 that was the subject of an application under Subchapter B or C,  
 10-13 Chapter 313, Tax Code, made after May 1, 2009, that the comptroller  
 10-14 recommended should be disapproved.

10-15 SECTION 22. Sections 311.003(e), (f), and (g), 311.006(c),  
 10-16 and 311.013(d) and (e), Tax Code, are repealed.

10-17 SECTION 23. (a) The legislature validates and confirms all  
 10-18 governmental acts and proceedings of a municipality or county, the  
 10-19 board of directors of a reinvestment zone, or an entity acting under  
 10-20 Section 311.010(f), Tax Code, that were taken before the effective  
 10-21 date of this Act and relate to or are associated with the  
 10-22 designation, operation, or administration of a reinvestment zone or  
 10-23 the implementation of a project plan or reinvestment zone financing  
 10-24 plan under Chapter 311, Tax Code, including the extension of the  
 10-25 term of a reinvestment zone, as of the dates on which they occurred.  
 10-26 The acts and proceedings may not be held invalid because they were  
 10-27 not in accordance with Chapter 311, Tax Code, or other law.

10-28 (b) Subsection (a) of this section does not apply to any  
 10-29 matter that on the 30th day after the effective date of this Act:

10-30 (1) is involved in litigation if the litigation  
 10-31 ultimately results in the matter being held invalid by a final  
 10-32 judgment of a court; or

10-33 (2) has been held invalid by a final judgment of a  
 10-34 court.

10-35 SECTION 24. (a) Section 311.002(1), Tax Code, as amended  
 10-36 by this Act, applies to all costs described by that subdivision  
 10-37 regardless of when they were incurred.

10-38 (b) Section 311.012(c), Tax Code, as amended by this Act,  
 10-39 applies only to the determination of the tax increment base of a  
 10-40 taxing unit for a tax year beginning on or after the effective date  
 10-41 of this Act, except that if the tax increment base of a taxing unit  
 10-42 for a tax year beginning before the effective date was determined in  
 10-43 the manner provided by Section 311.012(c), Tax Code, as amended by  
 10-44 this Act, the determination is validated as if the amendment were in  
 10-45 accordance with Section 311.012(c), Tax Code, as that section  
 10-46 existed immediately before the effective date of this Act.

10-47 SECTION 25. To the extent of any conflict, this Act prevails  
 10-48 over another Act of the 82nd Legislature, Regular Session, 2011,  
 10-49 relating to nonsubstantive additions to and corrections in enacted  
 10-50 codes.

10-51 SECTION 26. This Act takes effect immediately if it  
 10-52 receives a vote of two-thirds of all the members elected to each  
 10-53 house, as provided by Section 39, Article III, Texas Constitution.  
 10-54 If this Act does not receive the vote necessary for immediate  
 10-55 effect, this Act takes effect September 1, 2011.

10-56

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