

LEGISLATIVE BUDGET BOARD

Austin, Texas

FISCAL NOTE, 82ND LEGISLATIVE REGULAR SESSION

Revision 1

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TO: Honorable John Davis, Chair, House Committee on Economic & Small Business Development

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

IN RE: SB627 by Davis (Relating to the participation by certain taxing units in tax increment financing and the payment of tax increments into the tax increment fund for a reinvestment zone.), **As Engrossed**

No fiscal implication to the State is anticipated.

The bill would amend Chapter 311 of the Tax Code, regarding the Tax Increment Financing Act, to allow a commissioners court of a county that enters into a tax increment agreement with a municipality to enter into a tax increment agreement on behalf of a taxing unit if by statute the ad valorem tax rate of the other taxing unit is approved by the commissioners court or the commissioners court is expressly required by statute to levy the ad valorem taxes of the other taxing unit.

Similarly the bill would allow a commissioners court of a county that creates a tax increment reinvestment zone to order payment of a portion of the tax increment into a tax increment fund if by statute the ad valorem tax rate of the other taxing unit is approved by the commissioners court or the commissioners court is expressly required by statute to levy the ad valorem taxes of the other taxing unit.

Certain hospital districts would be excluded from the commissioners court tax increment authority. Currently a taxing unit does not have to pay into a tax increment fund unless it enters into an agreement.

The bill's provision granting commissioners courts authority to require certain special taxing units (special districts) to pay tax increments into a tax increment fund could create a cost to special districts. Neither the number of affected special districts nor the value associated with future commissioners court tax increment financing orders can be predicted, so the fiscal impact to these districts cannot be estimated.

There would be no fiscal impact to counties because they already have authority to enter into tax increment agreements. There would be no fiscal impact to cities or school districts because their property tax rates and levy amounts are not controlled by the county. Consequently, there would be no fiscal impact to the state through the operation of the school funding formula.

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, 2011.

Local Government Impact

The bill's provision granting commissioners courts authority to require certain special taxing units (special districts) to pay tax increments into a tax increment fund could create a cost to special districts. There would be no fiscal impact to cities or counties.

Source Agencies: 304 Comptroller of Public Accounts

LBB Staff: JOB, KK, AG, SD, SJS