

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 85TH LEGISLATIVE REGULAR SESSION

April 17, 2017

TO: Honorable Craig Estes, Chair, Senate Committee on Natural Resources & Economic Development

FROM: Ursula Parks, Director, Legislative Budget Board

IN RE: **SB600** by Burton (Relating to the repeal of the Texas Economic Development Act.), As Introduced

Passage of the bill would repeal Tax Code Chapter 313 (Texas Economic Development Act) in its entirety on the effective date. As the bill provides for existing projects to continue under current law, projects with agreements executed before the effective date of the bill would still be participating in the program through fiscal 2034. The bill could reduce local school district levy loss under Tax Code Chapter 313 starting in 2019 and decrease the related costs to the Foundation School Fund through the operation of the school finance formulas.

Section 1 of the bill would repeal Tax Code Chapter 313 in its entirety, as well as Tax Code Section 312.0025 which authorizes school districts to create reinvestment zones.

Section 2 would retitle Education Code Section 42.2515, currently "Additional State Aid for Ad Valorem Tax Credits Under Texas Economic Development Act" to "Additional State Aid for Ad Valorem Tax Credits Under Former Texas Economic Development Act."

Section 3 would amend Government Code Section 403.302(d) to specify that the Comptroller would continue to reduce property values reported under this section for actions taken by school boards before the repeal of Chapter 313. This section of the bill would also amend Government Code Section 403.302(m) to clarify that this section of the Government Code would apply to property receiving a limitation under "former" Subchapters B or C of Chapter 313.

Section 4 would make a conforming amendment to Government Code Section 2303.507 to eliminate the link between enterprise zone designations and reinvestment zone designations for the purposes of Chapter 313.

Section 5 would amend Tax Code Section 23.03 to make a minor conforming change related to the repeal of Tax Code Chapter 313.

Section 6 would amend Tax Code Section 26.012(6) to make a minor conforming change related to the repeal of Tax Code Chapter 313.

Section 7 would amend Tax Code Section 151.359(k) to make a minor conforming change related to the repeal of Tax Code Chapter 313.

Section 8 would amend Tax Code Section 151.3595(j) to make a minor conforming change related to the repeal of Tax Code Chapter 313.

Section 9 would amend Tax Code Section 171.602(f) to make a minor conforming change related to the repeal of Tax Code Chapter 313.

Section 10 would amend Tax Code Section 312.403(a) to define "nuclear electric power generation" in Chapter 312 as it is currently defined in Chapter 313--rather than by reference to that language currently in Tax Code Section 313.024.

Section 11 would amend Tax Code Chapter 320 by adding new Section 320.002, titled "Saving Provision After Repeal of Chapter 313." Subsection 320.002(a) would specify that agreements executed before the repeal of Subchapters B and C of Chapter 313 would continue in effect according to those subchapters as they existed immediately before their repeal, and that law would continue in effect for the purposes of such agreements. Subsection 320.002(b) specifies that the repeal of Subchapter D of Chapter 313--related to tax credits--would not affect limitation agreement-holder's entitlement to tax credits.

The bill would repeal Tax Code Chapter 313 in its entirety on the effective date; the current program expiration is December 31, 2022. As the bill provides for existing projects to continue under current law, projects with agreements executed before the effective date of the bill would still be participating in the program through fiscal 2034.

It is likely some projects that would receive benefits under Tax Code Chapter 313 will locate in Texas even in the absence of the program. The number and size of projects that might choose to locate in Texas absent the program cannot be estimated.

The bill could reduce local school district levy loss under Tax Code Chapter 313 starting in 2019, but the fiscal impact upon local school districts or the state cannot be estimated.

The bill would take effect immediately upon enactment, assuming it received the requisite two-thirds majority votes in both houses of the Legislature. Otherwise, it would take effect September 1, 2017.

Local Government Impact

Passage of the bill would repeal Tax Code Chapter 313 (Texas Economic Development Act) in its entirety on the effective date; the current program expiration is December 31, 2022. As the bill provides for existing projects to continue under current law, projects with agreements executed before the effective date of the bill would still be participating in the program through fiscal 2034. The bill could reduce local school district levy loss under Tax Code Chapter 313 starting in 2019, but the fiscal impact upon local school districts cannot be estimated.

Source Agencies: 304 Comptroller of Public Accounts

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