87R7828 SMH/KJE-D

By:  Murphy H.B. No. 1556

A BILL TO BE ENTITLED

AN ACT

relating to the Texas Economic Development Act.

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

SECTION 1.  Section 23.03, Tax Code, is amended to read as follows:

Sec. 23.03.  COMPILATION OF LARGE PROPERTIES AND PROPERTIES SUBJECT TO EXEMPTION FROM AD VALOREM TAXATION [~~LIMITATION ON APPRAISED VALUE~~]. Each year the chief appraiser shall compile and send to the Texas [~~Department of~~] Economic Development and Tourism Office a list of properties in the appraisal district that in that tax year:

(1)  have a market value of $100 million or more; or

(2)  are subject to an exemption from ad valorem taxation [~~a limitation on appraised value~~] under Chapter 313.

SECTION 2.  Section 151.359(k), Tax Code, is amended to read as follows:

(k)  A data center is not eligible to receive an exemption under this section if the data center is subject to an agreement limiting the appraised value of the data center's property under Subchapter B [~~or C~~], Chapter 313, as that subchapter existed before September 1, 2021, or former Subchapter C, Chapter 313.

SECTION 3.  Section 151.3595(j), Tax Code, is amended to read as follows:

(j)  A data center is not eligible to receive an exemption under this section if the data center is subject to an agreement limiting the appraised value of the data center's property under Subchapter B [~~or C~~], Chapter 313, as that subchapter existed before September 1, 2021, or former Subchapter C, Chapter 313.

SECTION 4.  Section 171.602(f), Tax Code, is amended to read as follows:

(f)  The comptroller may not issue a credit under this section before the later of:

(1)  September 1, 2018; or

(2)  the expiration of an agreement under Chapter 313 as that chapter existed before September 1, 2021, regarding the clean energy project for which the credit is issued.

SECTION 5.  Section 312.0025(a), Tax Code, is amended to read as follows:

(a)  Notwithstanding any other provision of this chapter to the contrary, the governing body of a school district, in the manner required for official action and for purposes of Subchapter B [~~or C~~], Chapter 313, may designate an area entirely within the territory of the school district as a reinvestment zone if the governing body finds that, as a result of the designation and the granting of an exemption from ad valorem taxation [~~a limitation on appraised value~~] under Subchapter B [~~or C~~], Chapter 313, for property located in the reinvestment zone, the designation is reasonably likely to:

(1)  contribute to the expansion of primary employment in the reinvestment zone; or

(2)  attract major investment in the reinvestment zone that would:

(A)  be a benefit to property in the reinvestment zone and to the school district; and

(B)  contribute to the economic development of the region of this state in which the school district is located.

SECTION 6.  Section 312.403(a), Tax Code, is amended to read as follows:

(a)  In this section, "nuclear electric power generation" means activities described in category 221113 of the 2002 North American Industry Classification System [~~has the meaning assigned by Section 313.024(e)~~].

SECTION 7.  Section 313.004, Tax Code, is amended to read as follows:

Sec. 313.004.  LEGISLATIVE INTENT. It is the intent of the legislature in enacting this chapter that:

(1)  economic development decisions involving school district taxes should occur at the local level with oversight by the state and should be consistent with identifiable statewide economic development goals;

(2)  this chapter should not be construed or interpreted to allow:

(A)  property owners to pool investments to create sufficiently large investments to qualify for an ad valorem tax benefit provided by this chapter;

(B)  an applicant for an ad valorem tax benefit provided by this chapter to assert that jobs will be eliminated if certain investments are not made if the assertion is not true; or

(C)  an entity not subject to the tax imposed by Chapter 171 to receive an ad valorem tax benefit provided by this chapter;

(3)  in implementing this chapter, school districts should:

(A)  strictly interpret the criteria and selection guidelines provided by this chapter; and

(B)  approve only those applications for an ad valorem tax benefit provided by this chapter that:

(i)  enhance the local community;

(ii)  improve the local public education system;

(iii)  create high-paying jobs; and

(iv)  advance the economic development goals of this state; and

(4)  in implementing this chapter, the comptroller should:

(A)  strictly interpret the criteria and selection guidelines provided by this chapter; and

(B)  issue certificates for exemptions from ad valorem taxation [~~limitations on appraised value~~] only for those applications for an ad valorem tax benefit provided by this chapter that:

(i)  create high-paying jobs;

(ii)  provide a net benefit to the state over the long term; and

(iii)  advance the economic development goals of this state.

SECTION 8.  Section 313.007, Tax Code, is amended to read as follows:

Sec. 313.007.  EXPIRATION. Subchapter [~~Subchapters~~] B expires [~~and C expire~~] December 31, 2032 [~~2022~~].

SECTION 9.  The heading to Subchapter B, Chapter 313, Tax Code, is amended to read as follows:

SUBCHAPTER B. EXEMPTION FROM AD VALOREM TAXATION [~~LIMITATION ON APPRAISED VALUE~~] OF CERTAIN PROPERTY [~~USED TO CREATE JOBS~~]

SECTION 10.  Section 313.021, Tax Code, is amended by amending Subdivisions (1), (2), and (4) and adding Subdivision (6) to read as follows:

(1)  "Qualified investment" means:

(A)  tangible personal property that is first placed in service in this state during the applicable qualifying time period that begins on or after January 1, 2002, without regard to whether the property is affixed to or incorporated into real property, and that is described as Section 1245 property by Section 1245(a), Internal Revenue Code of 1986;

(B)  tangible personal property that is first placed in service in this state during the applicable qualifying time period that begins on or after January 1, 2002, without regard to whether the property is affixed to or incorporated into real property, and that is used in connection with the manufacturing, processing, or fabrication in a cleanroom environment of a semiconductor product, without regard to whether the property is actually located in the cleanroom environment, including:

(i)  integrated systems, fixtures, and piping;

(ii)  all property necessary or adapted to reduce contamination or to control airflow, temperature, humidity, chemical purity, or other environmental conditions or manufacturing tolerances; and

(iii)  production equipment and machinery, moveable cleanroom partitions, and cleanroom lighting;

(C)  [~~tangible personal property that is first placed in service in this state during the applicable qualifying time period that begins on or after January 1, 2002, without regard to whether the property is affixed to or incorporated into real property, and that is used in connection with the operation of a nuclear electric power generation facility, including:~~

[~~(i)  property, including pressure vessels, pumps, turbines, generators, and condensers, used to produce nuclear electric power; and~~

[~~(ii)  property and systems necessary to control radioactive contamination;~~

[~~(D)  tangible personal property that is first placed in service in this state during the applicable qualifying time period that begins on or after January 1, 2002, without regard to whether the property is affixed to or incorporated into real property, and that is used in connection with operating an integrated gasification combined cycle electric generation facility, including:~~

[~~(i)  property used to produce electric power by means of a combined combustion turbine and steam turbine application using synthetic gas or another product produced by the gasification of coal or another carbon-based feedstock; or~~

[~~(ii)  property used in handling materials to be used as feedstock for gasification or used in the gasification process to produce synthetic gas or another carbon-based feedstock for use in the production of electric power in the manner described by Subparagraph (i);~~

[~~(E)  tangible personal property that is first placed in service in this state during the applicable qualifying time period that begins on or after January 1, 2010, without regard to whether the property is affixed to or incorporated into real property, and that is used in connection with operating an advanced clean energy project, as defined by Section 382.003, Health and Safety Code; or~~

[~~(F)~~]  a building or a permanent, nonremovable component of a building that is built or constructed during the applicable qualifying time period that begins on or after January 1, 2002, and that houses tangible personal property described by Paragraph (A) or[~~,~~] (B); or

(D)  a building or a permanent, nonremovable component of a building that, as part of a discrete project that increases the value of the building or component, is renovated, expanded, or otherwise improved during the applicable qualifying time period that begins on or after January 1, 2022, and that houses tangible personal property described by Paragraph (A) or (B)[~~, (C), (D), or (E)~~].

(2)  "Qualified property" means:

(A)  land:

(i)  that is located in an area designated as a reinvestment zone under Chapter 311 or 312 or as an enterprise zone under Chapter 2303, Government Code;

(ii)  on which a person proposes to:

(a)  construct a new building or erect or affix a new improvement that does not exist before the date the person submits a complete application for an exemption from ad valorem taxation [~~a limitation on appraised value~~] under this subchapter; or

(b)  renovate, expand, or otherwise improve an existing building or improvement;

(iii)  that is not subject to a tax abatement agreement entered into by a school district under Chapter 312; and

(iv)  on which, in connection with the [~~new~~] building or [~~new~~] improvement described by Subparagraph (ii), the owner or lessee of, or the holder of another possessory interest in, the land proposes to[~~:~~

[~~(a)~~]  make a qualified investment in an amount equal to at least the minimum amount required by Section 313.023[~~; and~~

[~~(b)  create at least 25 new qualifying jobs~~];

(B)  the [~~new~~] building or other [~~new~~] improvement described by Paragraph (A)(ii); and

(C)  tangible personal property:

(i)  that is not subject to a tax abatement agreement entered into by a school district under Chapter 312;

(ii)  for which a sales and use tax refund is not claimed under Section 151.3186; and

(iii)  except for new equipment described in Section 151.318(q) or (q-1), that is first placed in service in the new building, in the newly renovated, expanded, or improved building, or in or on the new or newly renovated, expanded, or improved improvement described by Paragraph (A)(ii), or on the land on which that [~~new~~] building or [~~new~~] improvement is located, if the personal property is ancillary and necessary to the business conducted in that [~~new~~] building or in or on that [~~new~~] improvement.

(4)  "Qualifying time period" means[~~:~~

[~~(A)~~]  the period that begins on the date that a person's application for an exemption from ad valorem taxation [~~a limitation on appraised value~~] under this subchapter is approved by the governing body of the school district and ends on December 31 of the second tax year that begins after that date, except as provided by [~~Paragraph (B) or (C) of this subdivision or~~] Section 313.027(h)[~~;~~

[~~(B)  in connection with a nuclear electric power generation facility, the first seven tax years that begin on or after the third anniversary of the date the school district approves the property owner's application for a limitation on appraised value under this subchapter, unless a shorter time period is agreed to by the governing body of the school district and the property owner; or~~

[~~(C)  in connection with an advanced clean energy project, as defined by Section 382.003, Health and Safety Code, the first five tax years that begin on or after the third anniversary of the date the school district approves the property owner's application for a limitation on appraised value under this subchapter, unless a shorter time period is agreed to by the governing body of the school district and the property owner~~].

(6)  "Wealth per student" has the meaning assigned by Section 48.273, Education Code.

SECTION 11.  Section 313.022, Tax Code, is amended to read as follows:

Sec. 313.022.  [~~APPLICABILITY;~~] CATEGORIZATION OF SCHOOL DISTRICTS. [~~(a) This subchapter applies to each school district in this state other than a school district to which Subchapter C applies.~~

[~~(b)~~]  For purposes of determining the required minimum amount of a qualified investment under Section 313.021(2)(A)(iv) [~~313.021(2)(A)(iv)(a), and the minimum amount of a limitation on appraised value under Section 313.027(b)~~], school districts [~~to which this subchapter applies~~] are categorized as follows:

(1)  Category I consists of school districts having a wealth per student of not more than the statewide average wealth per student; and

(2)  Category II consists of school districts having a wealth per student of more than the statewide average wealth per student. [~~according to the taxable value of property in the district for the preceding tax year determined under Subchapter M, Chapter 403, Government Code, as follows:~~

|  |  |  |  |
| --- | --- | --- | --- |
|  | [~~CATEGORY~~ |  | ~~TAXABLE VALUE OF PROPERTY~~ |
|  | [~~I~~ |  | ~~$10 billion or more~~ |
|  | [~~II~~ |  | ~~$1 billion or more but less than $10 billion~~ |
|  | [~~III~~ |  | ~~$500 million or more but less than $1 billion~~ |
|  | [~~IV~~ |  | ~~$100 million or more but less than $500 million~~ |
|  | [~~V~~ |  | ~~less than $100 million~~] |

SECTION 12.  Section 313.023, Tax Code, is amended to read as follows:

Sec. 313.023.  MINIMUM AMOUNTS OF QUALIFIED INVESTMENT. For each category of school district established by Section 313.022, the minimum amount of a qualified investment under Section 313.021(2)(A)(iv) [~~313.021(2)(A)(iv)(a)~~] is as follows:

|  |  |  |  |
| --- | --- | --- | --- |
|  | CATEGORY |  | MINIMUM QUALIFIED INVESTMENT |
|  | I |  | $10 [~~$100~~] million |
|  | II |  | $50 [~~$80~~] million |
|  | [~~III~~ |  | ~~$60 million~~ |
|  | [~~IV~~ |  | ~~$40 million~~ |
|  | [~~V~~ |  | ~~$20 million~~] |

SECTION 13.  Sections 313.024(a), (b), (b-1), and (c), Tax Code, are amended to read as follows:

(a)  This subchapter applies [~~and Subchapter C apply~~] only to property owned by an entity subject to the tax imposed by Chapter 171.

(b)  To be eligible for an exemption from ad valorem taxation [~~a limitation on appraised value~~] under this subchapter, the entity must use the property for:

(1)  manufacturing;

(2)  research and development;

(3)  [~~a clean coal project, as defined by Section 5.001, Water Code;~~

[~~(4)  an advanced clean energy project, as defined by Section 382.003, Health and Safety Code;~~

[~~(5)~~]  renewable energy electric generation;

(4) [~~(6)  electric power generation using integrated gasification combined cycle technology;~~

[~~(7)  nuclear electric power generation;~~

[~~(8)  a computer center primarily used in connection with one or more activities described by Subdivisions (1) through (7) conducted by the entity; or~~

[~~(9)~~]  a Texas priority project; or

(5)  a battery energy storage facility within the scope of Subchapter E, Chapter 35, Utilities Code.

(b-1)  Notwithstanding any other provision of this subchapter, an owner of a parcel of land that is located wholly or partly in a reinvestment zone, a new building constructed on the parcel of land, a new improvement erected or affixed on the parcel of land, or tangible personal property placed in service in the building or improvement or on the parcel of land may not receive an exemption from ad valorem taxation [~~a limitation on appraised value~~] under this subchapter for the parcel of land, building, improvement, or tangible personal property under an agreement under this subchapter that is entered into on or after September 1, 2021 [~~2017~~], if, on or after that date, a wind-powered energy device is installed or constructed on the same parcel of land at a location that is within 25 nautical miles of the boundaries of a military aviation facility located in this state. The prohibition provided by this subsection applies regardless of whether the wind-powered energy device is installed or constructed at a location that is in the reinvestment zone.

(c)  For purposes of determining an applicant's eligibility for an exemption from ad valorem taxation [~~a limitation~~] under this subchapter:

(1)  the land on which a building or component of a building described by Section 313.021(1)(C) or (D) [~~313.021(1)(E)~~] is located is not considered a qualified investment;

(2)  property that is leased under a capitalized lease may be considered a qualified investment;

(3)  property that is leased under an operating lease may not be considered a qualified investment; and

(4)  property that is owned by a person other than the applicant and that is pooled or proposed to be pooled with property owned by the applicant may not be included in determining the amount of the applicant's qualifying investment.

SECTION 14.  Section 313.025, Tax Code, is amended by amending Subsections (a), (a-1), (b), (d), (d-1), (f), (h), and (i) and adding Subsection (a-2) to read as follows:

(a)  The owner or lessee of, or the holder of another possessory interest in, any qualified property described by Section 313.021(2)(A), (B), or (C) may apply to the comptroller [~~governing body of the school district in which the property is located~~] for an exemption from ad valorem taxation of the person's qualified property by the school district in which the property is located as provided by Section 313.027 [~~a limitation on the appraised value for school district maintenance and operations ad valorem tax purposes of the person's qualified property~~]. An application must be made on the form prescribed by the comptroller, [~~and~~] include the information required by Subsection (a-1) [~~the comptroller~~], and [~~it must~~] be accompanied by an[~~:~~

[~~(1)  the~~] application fee of $50,000 [~~established by the governing body of the school district;~~

[~~(2)  information sufficient to show that the real and personal property identified in the application as qualified property meets the applicable criteria established by Section 313.021(2); and~~

[~~(3)  any information required by the comptroller for the purposes of Section 313.026~~].

(a-1)  The application form may require the applicant to provide only the following information:

(1)  the name and taxpayer identification number of the applicant and each parent, subsidiary, or affiliate of the applicant;

(2)  contact information for the applicant;

(3)  the name of the school district in which the qualified property is located;

(4)  a description of the project, including the category of the applicable North American Industry Classification System that describes the activities in which the applicant will engage in connection with the project;

(5)  the location of the project; and

(6)  for each ad valorem tax year covered by the proposed agreement between the applicant and the school district, an estimate of:

(A)  the amount of the qualified investment to be spent or allocated for the project;

(B)  the number of construction jobs to be created at the project site and the total amount of wages that will be paid to the persons holding those jobs;

(C)  the number of operations jobs to be held by employees of the applicant that will be created at the project site and the total amount of wages that will be paid to the persons holding those jobs; and

(D)  the number of operations jobs to be held by independent contractors that will be created at the project site and the total amount of wages that will be paid to the persons holding those jobs.

(a-2)  Within seven days of the receipt of each document, the comptroller [~~school district~~] shall submit to the governing body of the school district in which the property is located [~~comptroller~~] a copy of the application and the proposed agreement between the applicant and the school district. If the applicant submits an economic analysis of the proposed project to the comptroller [~~school district~~], the comptroller [~~district~~] shall submit a copy of the analysis to the school district [~~comptroller~~]. In addition, the comptroller [~~school district~~] shall submit to the school district [~~comptroller~~] any subsequent revision of or amendment to any of those documents within seven days of its receipt. The comptroller shall publish each document received [~~from the school district~~] under this subsection on the comptroller's Internet website. If the school district maintains a generally accessible Internet website, the district shall provide on its website a link to the location of those documents posted on the comptroller's website in compliance with this subsection. This subsection does not require the comptroller to post information that is confidential under Section 313.028.

(b)  The governing body of a school district is not required to consider an application for an exemption from ad valorem taxation [~~a limitation on appraised value~~]. If the governing body of the school district elects to consider an application, the governing body shall [~~deliver a copy of the application to the comptroller and~~] request that the comptroller conduct an economic impact evaluation of the investment proposed by the application. The comptroller shall conduct or contract with a third person to conduct the economic impact evaluation, which shall be completed and provided to the governing body of the school district, along with the comptroller's certificate or written explanation under Subsection (d), as soon as practicable but not later than the 90th day after the date the comptroller receives the request from the school district [~~application~~]. The governing body shall provide to the comptroller or to a third person contracted by the comptroller to conduct the economic impact evaluation any requested information. A methodology to allow comparisons of economic impact for different schedules of the addition of qualified investment or qualified property may be developed as part of the economic impact evaluation. The governing body shall provide a copy of the economic impact evaluation to the applicant on request. [~~The comptroller may charge the applicant a fee sufficient to cover the costs of providing the economic impact evaluation.~~] The governing body of a school district shall approve or disapprove an application not later than the 150th day after the date the application is filed, unless the economic impact evaluation has not been received or an extension is agreed to by the governing body and the applicant.

(d)  Not later than the 90th day after the date the comptroller receives the request from the school district [~~copy of the application~~], the comptroller shall issue a certificate for an exemption from ad valorem taxation [~~a limitation on appraised value~~] of the property and provide the certificate to the governing body of the school district or provide the governing body a written explanation of the comptroller's decision not to issue a certificate.

(d-1)  The governing body of a school district may not approve an application unless the comptroller submits to the governing body a certificate for an exemption from ad valorem taxation [~~a limitation on appraised value~~] of the property.

(f)  The governing body may approve an application only if the governing body finds that the information in the application is true and correct, finds that the applicant is eligible for the exemption from ad valorem taxation [~~limitation on the appraised value~~] of the person's qualified property, and determines that granting the application is in the best interest of the school district and this state.

(h)  After receiving a request from the school district [~~copy of the application~~], the comptroller shall determine whether the property meets the requirements of Section 313.024 for eligibility for an exemption from ad valorem taxation [~~a limitation on appraised value~~] under this subchapter. The comptroller shall notify the governing body of the school district of the comptroller's determination and provide the applicant an opportunity for a hearing before the determination becomes final. A hearing under this subsection is a contested case hearing and shall be conducted by the State Office of Administrative Hearings in the manner provided by Section 2003.101, Government Code. The applicant has the burden of proof on each issue in the hearing. The applicant may seek judicial review of the comptroller's determination in a Travis County district court under the substantial evidence rule as provided by Subchapter G, Chapter 2001, Government Code.

(i)  If the comptroller's determination under Subsection (h) that the property does not meet the requirements of Section 313.024 for an exemption from ad valorem taxation [~~eligibility for a limitation on appraised value~~] under this subchapter becomes final, the comptroller is not required to provide an economic impact evaluation of the application or to submit a certificate for an exemption from ad valorem taxation [~~a limitation on appraised value~~] of the property or a written explanation of the decision not to issue a certificate, and the governing body of the school district may not grant the application.

SECTION 15.  Sections 313.026(a), (b), (c), and (d), Tax Code, are amended to read as follows:

(a)  The economic impact evaluation of the application must include any information the comptroller determines is necessary or helpful to:

(1)  the governing body of the school district in determining whether to approve the application under Section 313.025; or

(2)  the comptroller in determining whether to issue a certificate for an exemption from ad valorem taxation [~~a limitation on appraised value~~] of the property under Section 313.025.

(b)  Except as provided by Subsections (c) and (d), the comptroller's determination whether to issue a certificate for an exemption from ad valorem taxation [~~a limitation on appraised value~~] under this chapter for property described in the application shall be based on the economic impact evaluation described by Subsection (a) and on any other information available to the comptroller, including information provided by the governing body of the school district.

(c)  The comptroller may not issue a certificate for an exemption from ad valorem taxation [~~a limitation on appraised value~~] under this chapter for property described in an application unless the comptroller determines that:

(1)  the project proposed by the applicant is reasonably likely to generate, before the 25th anniversary of the beginning of the exemption [~~limitation~~] period, tax revenue, including state tax revenue, school district maintenance and operations ad valorem tax revenue attributable to the project, and any other tax revenue attributable to the effect of the project on the economy of the state, in an amount sufficient to offset the school district maintenance and operations ad valorem tax revenue lost as a result of the agreement; [~~and~~]

(2)  the exemption [~~limitation on appraised value~~] is a determining factor in the applicant's decision to invest capital and construct the project in this state; and

(3)  the exemption will not financially harm the school district in which the property is located.

(d)  The comptroller shall state in writing the basis for the determinations made under Subsections (c)(1), [~~and~~] (2), and (3).

SECTION 16.  Section 313.0265, Tax Code, is amended to read as follows:

Sec. 313.0265.  DISCLOSURE OF EXEMPTION [~~APPRAISED VALUE LIMITATION~~] INFORMATION. (a) The comptroller shall post on the comptroller's Internet website each document or item of information the comptroller designates as substantive before the 15th day after the date the document or item of information was received or created. Each document or item of information must continue to be posted until the exemption from ad valorem taxation [~~appraised value limitation~~] expires.

(b)  The comptroller shall designate the following as substantive:

(1)  each application requesting an exemption from ad valorem taxation [~~a limitation on appraised value~~]; and

(2)  the economic impact evaluation made in connection with the application.

(c)  If a school district maintains a generally accessible Internet website, the district shall maintain a link on its Internet website to the area of the comptroller's Internet website where information on each of the district's agreements to exempt property from ad valorem taxation under this chapter [~~limit appraised value~~] is maintained.

SECTION 17.  The heading to Section 313.027, Tax Code, is amended to read as follows:

Sec. 313.027.  EXEMPTION OF PROPERTY FROM AD VALOREM TAXATION [~~LIMITATION ON APPRAISED VALUE~~]; AGREEMENT.

SECTION 18.  Sections 313.027(a), (a-1), (d), (e), (f), (i), and (j), Tax Code, are amended to read as follows:

(a)  If the person's application is approved by the governing body of the school district, the portion of the appraised value [~~for school district maintenance and operations ad valorem tax purposes~~] of the person's qualified property as described in the agreement between the person and the district entered into under this section in the school district that arises from the project is exempt from [~~may not exceed the lesser of~~]:

(1)  the district's tier one maintenance and operations tax rate described by Section 45.0032(a), Education Code [~~market value of the property~~]; and [~~or~~]

(2)  the portion of the district's enrichment tax rate described by Section 45.0032(b)(2), Education Code [~~subject to Subsection (b), the amount agreed to by the governing body of the school district~~].

(a-1)  The agreement must:

(1)  specify the period for which [~~provide that~~] the exemption from ad valorem taxation [~~limitation~~] under Subsection (a) applies, which may not exceed [~~for a period of~~] 10 years; and

(2)  specify the beginning date of the exemption [~~limitation~~], which must be January 1 of the first tax year that begins after:

(A)  the application date;

(B)  the qualifying time period; or

(C)  the following applicable date:

(i)  in the case of a project involving the construction of a new building or the erection or affixing of a new improvement, the date commercial operations begin at the site of the project; or

(ii)  in the case of a project involving the renovation, expansion, or other improvement of an existing building or improvement, the date the renovation, expansion, or other improvement is completed.

(d)  The governing body of the school district and the property owner shall enter into a written agreement for the implementation of the exemption from ad valorem taxation [~~limitation on appraised value~~] under this subchapter of [~~on~~] the owner's qualified property.

(e)  The agreement must describe with specificity the qualified investment that the person will make on or in connection with the person's qualified property that is subject to the exemption from ad valorem taxation [~~limitation on appraised value~~] under this subchapter. Other property of the person that is not specifically described in the agreement is not subject to the exemption [~~limitation~~] unless the governing body of the school district, by official action, provides that the other property is subject to the exemption [~~limitation~~].

(f)  In addition, the agreement:

(1)  must incorporate each relevant provision of this subchapter [~~and, to the extent necessary, include provisions for the protection of future school district revenues through the adjustment of the minimum valuations, the payment of revenue offsets, and other mechanisms agreed to by the property owner and the school district~~];

(2)  may provide that the property owner will protect the school district in the event the district incurs extraordinary education-related expenses related to the project that are not directly funded in state aid formulas, including expenses for the purchase of portable classrooms and the hiring of additional personnel to accommodate a temporary increase in student enrollment attributable to the project;

(3)  must require the property owner to maintain a viable presence in the school district for at least five years after the date the exemption from ad valorem taxation [~~limitation on appraised value~~] of the owner's property expires;

(4)  must provide for the termination of the agreement, the recapture of ad valorem tax revenue lost as a result of the agreement if the owner of the property fails to comply with the terms of the agreement, and payment of a penalty or interest, or both, on that recaptured ad valorem tax revenue;

(5)  may specify any conditions the occurrence of which will require the district and the property owner to renegotiate all or any part of the agreement;

(6)  must specify the ad valorem tax years covered by the agreement; and

(7)  must be in a form approved by the comptroller.

(i)  A person and the school district may not enter into an agreement under which the person agrees to provide supplemental payments to a school district or any other entity on behalf of a school district [~~in an amount that exceeds an amount equal to the greater of $100 per student per year in average daily attendance, as defined by Section 48.005, Education Code, or $50,000 per year, or for a period that exceeds the period beginning with the period described by Section 313.021(4) and ending December 31 of the third tax year after the date the person's eligibility for a limitation under this chapter expires~~]. This subsection [~~limit~~] does not:

(1)  apply to payments provided under [~~amounts described by~~] Subsection (f)(2); or

(2)  prohibit a person from voluntarily providing supplemental payments to the school district or another entity on behalf of the district [~~(f)(1) or (2)~~].

(j)  An agreement under this chapter must disclose any consideration promised in conjunction with the application and the exemption from ad valorem taxation and stipulate that all obligations of the parties to the agreement are stated in the agreement. Any separate agreement between the parties that imposes any additional obligation on either party is void [~~limitation~~].

SECTION 19.  Section 313.0275(b), Tax Code, is amended to read as follows:

(b)  If in any tax year a property owner fails to comply with Subsection (a), the property owner is liable to this state for a penalty equal to the amount computed by multiplying the amount of the exemption from ad valorem taxation under this subchapter [~~subtracting from the market value~~] of the property for that tax year by the sum of the school district's tier one maintenance and operations tax rate described by Section 45.0032(a), Education Code, and the portion of the district's enrichment tax rate described by Section 45.0032(b)(2) of that code [~~the value of the property as limited by the agreement and multiplying the difference by the maintenance and operations tax rate of the school district~~] for that tax year.

SECTION 20.  Subchapter B, Chapter 313, Tax Code, is amended by adding Section 313.0277 to read as follows:

Sec. 313.0277.  PAYMENT TO STATE BASED ON DIFFERENCE BETWEEN AD VALOREM TAX BENEFIT RECEIVED AND WAGES AND OTHER COMPENSATION PAID. (a) A person with whom a school district enters into an agreement under this subchapter is liable to this state for an amount equal to the difference between:

(1)  the product of:

(A)  10 percent of the amount of the exemption from ad valorem taxation under this subchapter of the property subject to the agreement for the current tax year; and

(B)  the sum of the school district's tier one maintenance and operations tax rate described by Section 45.0032(a), Education Code, and the portion of the district's enrichment tax rate described by Section 45.0032(b)(2) of that code for the current tax year; and

(2)  the sum of:

(A)  the total amount of wages paid during the current tax year to employees of the person holding jobs created at the site of the project covered by the agreement; and

(B)  50 percent of the total amount of nonemployee compensation paid during the current tax year to independent contractors for construction or other work performed at the site of the project covered by the agreement as reported on Internal Revenue Service Form 1099-MISC or any subsequent form with a different number or designation that substantially provides the same information.

(b)  An amount imposed under Subsection (a) becomes delinquent if not paid on or before February 1 of the following tax year. Section 33.01 applies to the delinquent amount in the manner that section applies to delinquent taxes.

(c)  The comptroller shall deposit an amount collected under this section, including any interest and penalty applicable to the amount, to the credit of the foundation school fund. Money deposited under this subsection may be used only to supplement the funds allocated to school districts under Section 48.106, Education Code.

SECTION 21.  Section 313.028, Tax Code, is amended to read as follows:

Sec. 313.028.  CERTAIN BUSINESS INFORMATION CONFIDENTIAL. Information provided to a school district or the comptroller in connection with an application for an exemption from ad valorem taxation [~~a limitation on appraised value~~] under this subchapter that describes the specific processes or business activities to be conducted or the specific tangible personal property to be located on real property covered by the application shall be segregated in the application from other information in the application and is confidential and not subject to public disclosure unless the governing body of the school district approves the application. Other information in the custody of a school district or the comptroller in connection with the application, including information related to the economic impact of a project or the essential elements of eligibility under this chapter, such as the nature and amount of the projected investment, employment, wages, and benefits, may not be considered confidential business information if the governing body of the school district agrees to consider the application. Information in the custody of a school district or the comptroller if the governing body approves the application is not confidential under this section.

SECTION 22.  Section 313.030, Tax Code, is amended to read as follows:

Sec. 313.030.  PROPERTY NOT ELIGIBLE FOR TAX ABATEMENT. Property subject to an exemption from ad valorem taxation [~~a limitation on appraised value~~] in a tax year under this subchapter is not eligible for tax abatement by a school district under Chapter 312 in that tax year.

SECTION 23.  Section 313.031, Tax Code, is amended to read as follows:

Sec. 313.031.  RULES AND FORMS[~~; FEES~~]. [~~(a)~~] The comptroller shall:

(1)  adopt rules and forms necessary for the implementation and administration of this chapter, including rules for determining whether a property owner's property qualifies as a qualified investment under Section 313.021(1); and

(2)  provide without charge one copy of the rules and forms to any school district and to any person who states that the person intends to apply for an exemption from ad valorem taxation [~~a limitation on appraised value~~] under this subchapter.

[~~(b)  The governing body of a school district by official action shall establish reasonable nonrefundable application fees to be paid by property owners who apply to the district for a limitation on the appraised value of the person's property under this subchapter. The amount of an application fee must be reasonable and may not exceed the estimated cost to the district of processing and acting on an application, including any cost to the school district associated with the economic impact evaluation required by Section 313.025.~~]

SECTION 24.  Sections 313.032(a), (c), and (d), Tax Code, are amended to read as follows:

(a)  Before the beginning of each regular session of the legislature, the comptroller shall submit to the lieutenant governor, the speaker of the house of representatives, and each other member of the legislature a report on the agreements entered into under this chapter that includes:

(1)  an assessment of the information described by Subdivision (2) [~~following~~] with regard to the agreements entered into under this chapter, considered in the aggregate[~~:~~

[~~(A)  the total number of jobs created, direct and otherwise, in this state;~~

[~~(B)  the total effect on personal income, direct and otherwise, in this state;~~

[~~(C)  the total amount of investment in this state;~~

[~~(D)  the total taxable value of property on the tax rolls in this state, including property for which the limitation period has expired;~~

[~~(E)  the total value of property not on the tax rolls in this state as a result of agreements entered into under this chapter; and~~

[~~(F)  the total fiscal effect on the state and local governments~~]; and

(2)  an assessment of the progress of each agreement made under this chapter that states for each agreement:

(A)  the number of [~~qualifying~~] jobs each recipient of an exemption from ad valorem taxation created at the project site by the following categories:

(i)  construction jobs;

(ii)  operations jobs held by employees of the recipient; and

(iii)  operations jobs held by independent contractors [~~a limitation on appraised value committed to create~~];

(B)  the total amount of wages paid by [~~number of qualifying jobs~~] each recipient to persons holding jobs described by Paragraph (A), by category listed in that paragraph [~~created~~];

(C)  [~~the total amount of wages and the median wage of the new qualifying jobs each recipient created;~~

[~~(D)~~]  the amount of the qualified investment each recipient committed to spend or allocate for each project;

(D) [~~(E)~~]  the amount of the qualified investment each recipient spent or allocated for each project;

(E)  the total market value of all of the property related to the project covered by the agreement as determined by the applicable chief appraiser, regardless of whether the property is qualified property;

(F)  the market value of the portion of the qualified property of each recipient as determined by the applicable chief appraiser that is currently eligible for an exemption from ad valorem taxation[~~, including property that is no longer eligible for a limitation on appraised value~~] under the agreement;

(G)  [~~the limitation on appraised value for the qualified property of each recipient;~~

[~~(H)~~]  the dollar amount of the taxes that would have been imposed on the [~~qualified~~] property related to the project, regardless of whether the property is qualified property, if the qualified property had not received an exemption from ad valorem taxation [~~a limitation on appraised value~~]; [~~and~~]

(H) [~~(I)~~]  the dollar amount of the taxes imposed on the [~~qualified~~] property related to the project, regardless of whether the property is qualified property; and

(I)  the difference between the amount described by Paragraph (G) and the amount described by Paragraph (H).

(c)  The portion of the report described by Subsection (a)(2) must be based on data certified to the comptroller by each recipient or former recipient of an exemption from ad valorem taxation [~~a limitation on appraised value~~] under this chapter. The comptroller shall verify a random sample of the data submitted under this section using information from the Texas Workforce Commission, the chief appraiser of the applicable appraisal district, or other sources the comptroller considers reliable. The random sample used to verify data under this section must constitute not less than 33 percent of the data used by the comptroller to prepare the report. Information provided under this section that contains personal identifying information of an individual is confidential and not subject to disclosure under Chapter 552, Government Code, or Chapter 111, Tax Code.

(d)  The comptroller may require a recipient or former recipient of an exemption from ad valorem taxation [~~a limitation on appraised value~~] under this chapter to submit, on a form the comptroller provides, information required to complete the report.

SECTION 25.  Section 313.033, Tax Code, is amended to read as follows:

Sec. 313.033.  ANNUAL REPORT BY RECIPIENT OF EXEMPTION [~~ON COMPLIANCE WITH JOB-CREATION REQUIREMENTS~~]. Each recipient of an exemption from ad valorem taxation [~~a limitation on appraised value~~] under this chapter shall submit to the comptroller an annual report on a form provided by the comptroller that provides the following information with regard to each agreement entered into by the recipient under this chapter:

(1)  the number of jobs the recipient created at the project site by the following categories:

(A)  construction jobs;

(B)  operations jobs held by employees of the recipient; and

(C)  operations jobs held by independent contractors;

(2)  the total amount of wages paid by the recipient to persons holding jobs described by Subdivision (1), by category listed in that subdivision;

(3)  the amount of the qualified investment the recipient committed to spend or allocate for the project;

(4)  the amount of the qualified investment the recipient spent or allocated for the project;

(5)  the total market value of all of the property related to the project covered by the agreement as determined by the applicable chief appraiser, regardless of whether the property is qualified property;

(6)  the market value of the portion of the qualified property of the recipient as determined by the applicable chief appraiser that is currently eligible for an exemption from ad valorem taxation under the agreement;

(7)  the dollar amount of the taxes that would have been imposed on the property related to the project, regardless of whether the property is qualified property, if the qualified property had not received an exemption from ad valorem taxation;

(8)  the dollar amount of the taxes imposed on the property related to the project, regardless of whether the property is qualified property; and

(9)  the difference between the amount described by Subdivision (7) and the amount described by Subdivision (8) [~~sufficient to document the number of qualifying jobs created~~].

SECTION 26.  Section 313.171, Tax Code, is amended by amending Subsection (a) and adding Subsection (a-1) to read as follows:

(a)  An exemption from ad valorem taxation [~~A limitation on appraised value~~] approved under Subchapter B [~~or C~~] before the expiration of that subchapter continues in effect according to that subchapter as that subchapter existed immediately before its expiration, and that law is continued in effect for purposes of the exemption [~~limitation on appraised value~~].

(a-1)  A limitation on appraised value approved under Subchapter C before the repeal of that subchapter continues in effect according to that subchapter as that subchapter existed immediately before its repeal, and that law is continued in effect for purposes of the limitation on appraised value.

SECTION 27.  Section 48.202(b), Education Code, is amended to read as follows:

(b)  In computing the district enrichment tax rate of a school district, the total amount of maintenance and operations taxes collected by the school district does not include the amount of:

(1)  the district's local fund assignment under Section 48.256; [~~or~~]

(2)  taxes paid into a tax increment fund under Chapter 311, Tax Code; or

(3)  taxes attributable to the application of the portion of the district's enrichment tax rate described by Section 45.0032(b)(1) of this code to the portion of the appraised value of property that is otherwise exempt from ad valorem taxation under Subchapter B, Chapter 313, Tax Code.

SECTION 28.  Section 48.2551(a), Education Code, is amended to read as follows:

(a)  In this section:

(1)  "DPV" has the meaning assigned by Section 48.256;

(2)  "E" is the expiration of the exclusion of appraised property value for the preceding tax year that is recognized as taxable property value for the current tax year, which is the sum of the following:

(A)  property value that is no longer subject to an exemption from ad valorem taxation [~~a limitation on appraised value~~] under Chapter 313, Tax Code; and

(B)  property value under Section 311.013(n), Tax Code, that is no longer excluded from the calculation of "DPV" from the preceding year because of refinancing or renewal after September 1, 2019;

(3)  "MCR" is the district's maximum compressed rate, which is the tax rate for the current tax year per $100 of valuation of taxable property at which the district must levy a maintenance and operations tax to receive the full amount of the tier one allotment to which the district is entitled under this chapter;

(4)  "PYDPV" is the district's value of "DPV" for the preceding tax year; and

(5)  "PYMCR" is the district's value of "MCR" for the preceding tax year.

SECTION 29.  Sections 48.256(d) and (e), Education Code, are amended to read as follows:

(d)  This subsection applies to a school district in which the board of trustees entered into a written agreement with a property owner under Section 313.027, Tax Code, for the implementation of an exemption from ad valorem taxation [~~a limitation on appraised value~~] under Subchapter B [~~or C~~], Chapter 313, Tax Code, a limitation on appraised value under Subchapter B, Chapter 313, Tax Code, as that subchapter existed before September 1, 2021, or a limitation on appraised value under former Subchapter C, Chapter 313, Tax Code. For purposes of determining "DPV" under Subsection (a) for a school district to which this subsection applies, the commissioner shall exclude a portion of the market value of property not otherwise fully taxable by the district under Subchapter B [~~or C~~], Chapter 313, Tax Code, before the expiration of the subchapter or former Subchapter C, Chapter 313, Tax Code, before the repeal of that subchapter. The comptroller shall provide information to the agency necessary for this subsection. [~~A revenue protection payment required as part of an agreement for a limitation on appraised value shall be based on the district's taxable value of property for the preceding tax year.~~]

(e)  Subsection (d) does not apply to property that was the subject of an application under Subchapter B or former Subchapter C, Chapter 313, Tax Code, made after May 1, 2009, that the comptroller recommended should be disapproved.

SECTION 30.  Section 2303.507, Government Code, is amended to read as follows:

Sec. 2303.507.  TAX INCREMENT FINANCING AND ABATEMENT; EXEMPTIONS FROM AD VALOREM TAXATION [~~LIMITATIONS ON APPRAISED VALUE~~]. Designation of an area as an enterprise zone is also designation of the area as a reinvestment zone for:

(1)  tax increment financing under Chapter 311, Tax Code;

(2)  tax abatement under Chapter 312, Tax Code; and

(3)  exemptions from ad valorem taxation [~~limitations on appraised value~~] under Chapter 313, Tax Code.

SECTION 31.  The following provisions of the Tax Code are repealed:

(1)  Section 313.006;

(2)  Section 313.009;

(3)  Sections 313.021(3) and (5);

(4)  Sections 313.024(d) and (d-2);

(5)  Sections 313.024(e)(3), (4), and (6);

(6)  Section 313.025(f-1);

(7)  Sections 313.027(b), (c), and (g);

(8)  Section 313.0276;

(9)  Section 313.032(b-1); and

(10)  Subchapter C, Chapter 313.

SECTION 32.  Chapter 313, Tax Code, as amended by this Act, applies only to an application filed under that chapter on or after the effective date of this Act. An application filed under that chapter before the effective date of this Act is governed by the law in effect on the date the application was filed, and the former law is continued in effect for that purpose.

SECTION 33.  This Act takes effect September 1, 2021.