

BILL ANALYSIS

Senate Research Center
88R6390 CJC-F

H.B. 4433
By: Anchiá et al. (Parker)
Natural Resources & Economic Development
5/21/2023
Engrossed

AUTHOR'S / SPONSOR'S STATEMENT OF INTENT

Under current Texas statute, tax increment financing (TIF) is a tool that allows municipalities and counties to invest in public infrastructure and other improvements in designated "reinvestment zones." When a TIF district is created, the property tax revenues generated by the increased value of properties in the zone are used to repay the debt issued to fund the public improvements.

The property tax levy for many homeowners is becoming a significant burden. These "legacy homeowners," who have lived in and maintained a homestead exemption on the property for at least seven years, are often the ones who made a neighborhood a desirable location, but now are being pushed out due to an ever-increasing property tax bill.

H.B. 4433 seeks to provide cities and counties with an optional program that may support those longtime legacy homeowners in designated areas. H.B. 4433 amends the Tax Increment Financing Zone Code allowing a community to create a reinvestment zone stability program supporting legacy homeowners in the designated zone. The program is permissive and would allow new incremental property tax revenue raised within the zone to help those qualified legacy homeowners maintain a consistent property tax levy for a period of up to 10 years.

H.B. 4433 amends current law relating to the treatment of certain residence homesteads for purposes of the Tax Increment Financing Act.

RULEMAKING AUTHORITY

This bill does not expressly grant any additional rulemaking authority to a state officer, institution, or agency.

SECTION BY SECTION ANALYSIS

SECTION 1. Amends Section 311.002(1), Tax Code, as follows:

(1) Provides that "project costs" include certain costs, including payments made as part of a reinvestment zone stability program established under Section 311.0111. Makes nonsubstantive changes.

SECTION 2. Amends Section 311.006(a), Tax Code, as follows:

(a) Prohibits a municipality from designating a reinvestment zone if:

(1) more than 40 percent, rather than 30 percent, of the property in the proposed zone is used for residential purposes, excluding property that is publicly owned or that is a residence homestead owned by a legacy homeowner, as those terms are defined by Section 311.0111. Makes a nonsubstantive change; or

(2) makes no changes to this subdivision.

SECTION 3. Amends Chapter 311, Tax Code, by adding Section 311.0111, as follows:

Sec. 311.0111. REINVESTMENT ZONE STABILITY PROGRAM. (a) Defines "legacy homeowner," "program," and "residence homestead."

(b) Authorizes the project plan prepared and adopted by the board of directors of a reinvestment zone under Section 311.011 to authorize the board of directors to establish a reinvestment zone stability program (program), the purpose of which is to ensure that all residents of the zone benefit from its designation. Authorizes the governing body of the county or municipality that designated the zone and any affiliated community organizations to participate in the development of the program. Authorizes the board, as part of a program established under this section, to dedicate, pledge, or otherwise provide for the use of money in the tax increment fund established for the zone to prevent homeowner displacement by providing annual payments on behalf of legacy homeowners to offset the increase in ad valorem taxes imposed on the residence homesteads of those homeowners that is attributable to the increase in property values associated with the development or redevelopment of property in the zone.

(c) Requires that the project plan for a reinvestment zone, if the plan authorizes annual payments on behalf of legacy homeowners, provide that:

(1) the amount of an annual payment made under the program to a legacy homeowner is prohibited from exceeding the amount determined for that homeowner under Subsection (d); and

(2) the period of time for which annual payments are authorized to be made on behalf of a legacy homeowner is prohibited from exceeding 10 years.

(d) Authorizes the maximum amount of an annual payment that to be made on behalf of a legacy homeowner for a tax year is equal to the positive difference, if any, between the following amounts:

(1) the ad valorem taxes due on the homeowner's homestead for that tax year; and

(2) the ad valorem taxes due on the homeowner's homestead for the tax year in which the reinvestment zone in which the homestead is located was designated.

SECTION 4. Effective date: September 1, 2023.