

BILL ANALYSIS

Senate Research Center
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C.S.H.B. 4433
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Natural Resources & Economic Development
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Committee Report (Substituted)

AUTHOR'S / SPONSOR'S STATEMENT OF INTENT

Paying property taxes can be a significant financial burden for homeowners, particularly in areas where property values have skyrocketed due to development or redevelopment. In these situations, homeowners may experience a sudden and substantial increase in their property taxes, making it difficult for them to afford to stay in their homes. This is particularly challenging for long-term residents who have invested in their homes and communities and may not have anticipated the sharp increase in taxes associated with development.

The situation can be especially challenging for those on fixed incomes, such as seniors or low-income families, who may struggle to keep up with rising property taxes. In some cases, homeowners may be forced to sell their homes or take out loans to cover the increased tax burden, which can have long-lasting financial impacts.

The Reinvestment Zone Stability Program bill aims to address this issue by providing annual payments to offset the increase in ad valorem taxes associated with development or redevelopment of property in designated zones. This program can help alleviate the financial burden on homeowners and allow them to continue to live in their homes and communities while benefiting from economic development.

H.B. 4433 introduces a reinvestment zone stability program that aims to provide annual payments on behalf of "legacy homeowners" to offset the increase in property values associated with development or redevelopment of property in a designated zone. Legacy homeowners are defined as owners of a residence homestead located in a reinvestment zone who have continuously resided in and received a homestead exemption for at least seven years before the zone was designated. The project plan prepared by the board of directors of a reinvestment zone may authorize the establishment of the program, and the maximum amount of an annual payment is determined by the positive difference between the ad valorem taxes due on the homeowner's homestead for the current tax year and the tax year in which the reinvestment zone was designated.

Committee substitute:

C.S.H.B. 4433 removes Section 2 of the original version of the bill and restores the template residency requirements. The committee substitute no longer raises the percentage cap on residences in a tax increment reinvestment zone and no longer excludes legacy homes from counting towards that percentage. The substitute also provides additional homeowner transparency by requiring an annual notice to the homeowner that explains the remaining years the homeowner is eligible to receive the offsetting payments.

C.S.H.B. 4433 amends current law relating to the authority of the board of directors of a tax increment financing reinvestment zone to use money in the tax increment fund established for the zone to compensate certain homeowners for the increase in taxes associated with the zone.

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 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 (Project and Financing Plans) 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);

(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; and

(3) a notice is required to be provided each year to each legacy homeowner on whose behalf an annual payment is made under the program regarding the terms of the program and the period of time for which payments are authorized to continue to be made on behalf of the legacy homeowner under the program.

(d) Provides that the maximum amount of an annual payment that is authorized 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 3. Effective date: September 1, 2023.