

**LEGISLATIVE BUDGET BOARD**

**Austin, Texas**

**FISCAL NOTE, 88TH LEGISLATIVE REGULAR SESSION**

**May 21, 2023**

**TO:** Honorable Brian Birdwell, Chair, Senate Committee on Natural Resources & Economic Development

**FROM:** Jerry McGinty, Director, Legislative Budget Board

**IN RE: HB4433** by Anchia (Relating to the treatment of certain residence homesteads for purposes of the Tax Increment Financing Act.), **As Engrossed**

**No fiscal implication to the State is anticipated.**

The bill would amend Chapter 311 of the Tax Code, relating to Tax Increment Financing Act, to provide for establishment of a Reinvestment Zone Stability Program by the board of a tax increment reinvestment zone. The bill would increase the maximum portion of the property in a reinvestment zone used for residential purposes, excluding property that is publicly owned or the residence homestead of a legacy homeowner, from 30 to 40 percent. "Legacy homeowner" would be defined as the owner of a residence homestead in a reinvestment zone who has continuously resided in and received a residence homestead exemption for the property for at least seven years preceding designation of the zone.

The purpose of a reinvestment zone stability program would be to ensure all residents benefit from the reinvestment zone designation. The bill would provide that, to prevent homeowner displacement, annual payments could be made from the tax increment fund on behalf of legacy homeowners to offset property tax increases attributable increase in property value associated with development in the zone. The maximum period for annual payments would be 10 years and the payments could not exceed the positive difference between homestead taxes due on the legacy homeowner's property and the homestead taxes due for the tax year in which the reinvestment zone was designated.

Tax increment reinvestment zone programs are local government led, created, operated, and managed. The reinvestment zone stability plan would be determined and implemented by the local governments and the respective appraisal districts who determine tax rates, property values, and property tax exemptions. Costs could be incurred by relevant units of local government but would have no fiscal impact on the state.

**Local Government Impact**

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**Source Agencies:** 304 Comptroller of Public Accounts

**LBB Staff:** JMc, MOc, CMA, KK, SD, BRI