

## **BILL ANALYSIS**

Senate Research Center

S.B. 576  
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Economic Development  
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Enrolled

### **AUTHOR'S / SPONSOR'S STATEMENT OF INTENT**

Owners of historic properties located in a Tax Increment Finance Zone (TIF) are currently unable to receive incentives for improving and restoring their historic property. Therefore, historic property inside TIFs is often razed or lost to neglect. Another problem is that TIF funds currently cannot be used to acquire rights-of-way or build roads or sidewalks into and out of a TIF. Stakeholders around a TIF sometimes complain that the additional traffic generated by the TIF harms area roads, and that those outside the TIF are left to pay for the road repair and construction.

Currently, municipalities are not allowed to grant ad valorem tax exemptions (such as those for historic properties) to real property owners inside a TIF. Also, the current statute requires that TIF funds be used to pay for infrastructure and can only be used on roads and sidewalks inside the TIF boundaries.

S.B. 576 amends current law relating to the implementation of a project plan or financing plan for a reinvestment zone under the Tax Increment Financing Act and the granting of exemptions from ad valorem taxes imposed on real property in a reinvestment zone under that 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 311.010(b), Tax Code, as follows:

(b) Authorizes an agreement, during the term of the agreement to dedicate, pledge, or otherwise provide for the use of revenue in the tax increment fund to pay any project costs that benefit the reinvestment zone, including project costs relating to the construction of a road, sidewalk, or other public infrastructure in or out of the zone, including the cost of acquiring the real property necessary for the construction of the road, sidewalk, or other public infrastructure. Deletes existing text authorizing an agreement to dedicate revenue from the tax increment fund to pay a neighborhood enterprise association for providing services or carrying out projects authorized under Subchapters E and G (Enterprise Zone Benefits), Chapter 2303 (Enterprise Zones), Government Code, in the zone. Deletes existing text prohibiting the term of an agreement with a neighborhood enterprise association from exceeding 10 years.

SECTION 2. Amends Section 311.013(g), Tax Code, as follows:

(g) Provides that subject to the provisions of Section 311.0125 (Tax Abatement Agreements), in lieu of permitting a portion of its tax increment to be paid into the tax increment fund, and notwithstanding the provisions of Section 312.203 (Expiration of Reinvestment Zone), a taxing unit, including a municipality, rather than a taxing unit other than a city, is authorized to elect to offer the owners of taxable real property in a reinvestment zone created under this chapter an exemption from taxation of all or part of the value of the property. Requires that an agreement to exempt real property from ad valorem taxes under this subsection, to be effective, be approved by the board of directors of the reinvestment zone, and the governing body of each taxing unit that imposes taxes

on real property in the reinvestment zone and deposits or agrees to deposit any of its tax increment into the tax increment fund for the zone. Deletes existing text requiring that any agreement concerning an exemption from ad valorem taxes be executed in the manner and subject to the limitations of Chapter 312 (Property Redevelopment and Tax Abatement Act), provided, however, the property covered by the agreement need not be in a zone created pursuant to Chapter 312. Deletes existing text prohibiting a taxing unit from offering a tax abatement agreement to property owners in the zone after it has entered into an agreement that its tax increments would be paid into the tax increment fund pursuant to Subsection (f) (relating to a taxing unit not being required to pay into the tax increment fund any of its tax increment produced from property located in a reinvestment zone). Makes conforming changes.

SECTION 3. Effective date: upon passage or September 1, 2009.