

**SUBJECT:** Prohibiting tax abatement agreements by certain hospital districts

**COMMITTEE:** Ways and Means — favorable, with amendment

**VOTE:** 9 ayes — Oliveira, McCall, Craddick, Hartnett, Y. Davis, Heflin, Keffer, Ramsay, Ritter

0 nays

2 absent — Bonnen, Hilbert

**SENATE VOTE:** On final passage, April 25 — voice vote

**WITNESSES:** For — Jonny Hipp, Nueces County Hospital District; Seth Mitchell, Bexar County Commissioners Court

Against — None

**BACKGROUND:** Under the Tax Increment Financing Act (Tax Code, ch. 311), a city may agree to a tax abatement for a reinvestment zone, which exempts a portion of the valuation of the property from taxation. Under a tax increment financing district, the difference between the original taxable value of the property and the increase due to improvements made by the private developer — the increment — can be reserved to repay bonds issued for public improvements in the tax increment financing district.

The Property Redevelopment and Tax Abatement Act (Tax Code, ch. 312) allows any taxing unit other than a school district, but including hospital districts, to create reinvestment zones in specific geographic areas or on pieces of real estate that meet certain economic and social conditions. Sec. 312.204(a) allows the taxing unit to abate taxes for owners of taxable real property in a reinvestment zone who make specific improvements or repairs to the property. Sec. 312.206 authorizes other taxing entities to enter into similar tax abatement agreements within 90 days of the municipal agreement. Sec. 312.402 specifies how counties may abate taxes of taxable real property owners in reinvestment zones.

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**DIGEST:** SB 944, as amended, would prohibit the Bexar County Hospital District, El Paso County Hospital District, and Nueces County Hospital District from participating in new tax abatement agreements.

The bill would not affect the validity of an agreement that one of these districts entered into before September 1, 2001. The district could not amend such an agreement to increase the amount of the district's tax abatement nor to increase the abatement period.

The bill would take effect September 1, 2001.

**NOTES:** The Senate engrossed version of SB 944 also would have prohibited the Harris County Hospital District from entering into a new tax abatement agreement.