

SUBJECT: Extending tax exemption for certain tax increment reinvestment zones

COMMITTEE: Ways and Means — committee substitute recommended

VOTE: 8 ayes — Burrows, Guillen, Bohac, Murphy, Noble, E. Rodriguez,
Shaheen, Wray

0 nays

3 absent — Cole, Martinez Fischer, Sanford

WITNESSES: For — Blakely Fernandez, Bracewell LLP; (*Registered, but did not testify*:
Melissa Shannon, Bexar County Commissioners Court; Carlton Schwab,
Texas Economic Development Council)

Against — None

On — (*Registered, but did not testify*: Frank Alvarez, Comptroller of
Public Accounts)

BACKGROUND: Tax Code ch. 311 governs tax increment financing and tax increment
reinvestment zones (TIRZ). Local governments may use tax increment
financing to redirect additional property tax revenues within an area
designated as a TIRZ to the cost of improvements in the area. The
additional revenues, called the tax increment, come from increased
property values brought about from improvements in the zone.

Sec. 311.011 requires the board of directors of a TIRZ to prepare and
adopt a reinvestment zone financing plan and submit the plan to the
governing body of the city or county that designated the zone. The plan
must include the duration of the zone.

Under sec. 311.017, a TIRZ terminates on the termination date provided
by local ordinance or the date on which all project costs, bonds, or other
obligations are paid in full, whichever is earlier.

Government Code sec. 403.32 requires the comptroller to conduct a study to determine the total taxable value of all property in a school district. Taxable value does not include the amount of any captured appraised value of property in a TIRZ. The number of years this amount may be deducted from the total taxable value is limited to the duration of the zone as specified in the reinvestment zone financing plan.

Interested parties have suggested allowing certain cities to extend the termination date for a TIRZ without being made subject to property taxes.

DIGEST: CSHB 2111 would allow a school district to exempt property in a tax increment reinvestment zone from the comptroller's study of taxable property in a school district until the termination date under Tax Code sec. 311.017 if the city adopted an ordinance terminating the zone at a later date than originally designated.

The bill would apply only to a reinvestment zone created by a certain municipality with a population of 1.1 million or more that was predominantly located in a county with a population of 1.8 million or less (San Antonio).

The bill would take effect September 1, 2019.

NOTES: According to the Legislative Budget Board, the bill would allow the deduction in the Property Value Study of certain tax increment zone captured appraised value that is not currently deducted and could create a cost to the state by reducing, in some school districts, the taxable value used in the state's school funding formulas.