

New Laws on Exemptions and Economic Development

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HB 5 - Texas Jobs, Energy, Technology & Innovation Act

- ▶ Adds Subchapter T to Chapter 403 of the Government Code
- ▶ Effective 1/1/24, except for the provision for the comptroller to write the rules, which becomes effective in September.
- ▶ Authorizes ISD abatements
- ▶ Expires 12/31/33
- ▶ Eligible property is new building or expansion, plus tangible PP other than inventory
- ▶ Must be located in a reinvestment or enterprise zone
- ▶ Jobs requirements (not for electric generation facility) depends on population of the county
- ▶ Minimum investment requirements also depends on population
- ▶ Investment requirements may be demonstrated by any reasonable means, including showing the appraisal roll has eligible property valued at or greater than the min investment as of Jan 1 of the second tax year of the incentive period.
- ▶ Comptroller may adopt rules to interpret and administer the section on jobs and investment requirements

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HB 5 - Texas Jobs, Energy, Technology & Innovation Act-Cont'd

Eligible projects include:

- ▶ construction or expansion of:
 - ▶ Manufacturing facility
 - ▶ Facility related to provision of utility services including electric generation that is considered dispatchable because the facility's output can be controlled primarily by forces under human control
 - ▶ Facility related to development of natural resources
 - ▶ Facility for research, development or manufacture of high-tech equipment or technology
- ▶ Construction or expansion of critical infrastructure
- ▶ Does not include:
 - ▶ non dispatchable electric generation facilities
 - ▶ Electric energy storage facilities

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HB 5 - Texas Jobs, Energy, Technology & Innovation Act-Cont'd

- ▶ For the incentive period, taxable value for M&O purposes of an eligible project is 50% of the market value, or 25% if the property is in a qualified opportunity zone
- ▶ For the construction period, the taxable value for M&O is zero.
- ▶ Chief appraiser must determine market, appraised and taxable value
- ▶ Chief appraiser may not use an estimated value in an application to determine market value
- ▶ Certain companies are ineligible
- ▶ Person seeking limitation must apply to comptroller on form prescribed by comptroller

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HB 5 - Texas Jobs, Energy, Technology & Innovation Act-Cont'd

- ▶ The information that must be provided to the comptroller is outlined in the statute.
- ▶ Must also include an economic benefit statement that projects the jobs, investment, value, taxes, etc. out for 25 years after the incentive period ends. Comptroller must establish criteria for the methodology to create the statement.
- ▶ Comptroller shall recommend or not recommend app for approval.
- ▶ Statute contains criteria for the Comptroller to recommend or not.
- ▶ Within 60 days of determining to recommend an application, Comptroller notifies Governor, ISD and applicant.

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HB 5 - Texas Jobs, Energy, Technology & Innovation Act-Cont'd

- ▶ Governor decides whether to agree with determination within 30 days of receipt from comptroller
- ▶ ISD must determine whether to enter into the agreement and must hold a public hearing on the application within 30 days of receiving it from the comptroller
- ▶ If approved by all, the Gov, ISD, and applicant enter into an agreement.
- ▶ PILOT agreements are prohibited
- ▶ Gov or ISD may terminate the agreement if applicant fails to comply with job or wage requirements after notice and cure period.
- ▶ If terminated, provision for recapture for the state

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HB 5 - Texas Jobs, Energy, Technology & Innovation Act-Cont'd

- ▶ Incentive period is 10 years
- ▶ Incentive period must begin between Jan 1 after the construction completion and Jan 1 following the 10th anniversary of the agreement
- ▶ Statute includes penalties paid to the state for failing to comply with the jobs or wage requirements
- ▶ Comptroller determines whether applicant complied
- ▶ State auditor must audit at least 10% of the agreements
- ▶ Applicant submits an biennial compliance report to the comptroller
- ▶ Comptroller submits biennial report to the Legislature
- ▶ Creation of Jobs, Energy Technology and Innovation Act oversight committee- can recommend addition or deletion of eligible projects to the leg

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HB 5 - Texas Jobs, Energy, Technology & Innovation Act-Cont'd

- ▶ ISD cannot ask or require anything of benefit in exchange for agreement
- ▶ Applicant can't offer anything
- ▶ Comptroller adopts rules and forms to implement
- ▶ Changes to the Education code to lower the taxable value of the ISD to exclude value not taxable under one of these agreements
- ▶ Amends 23.03 to require chief appraiser to include in its list to the Texas Economic Development and Tourism office properties that are subject to a limitation under chapter 403 of the Gov. code.
- ▶ Change to 26.012 to exclude this non taxable value from the definition of "current total value"

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HB 456 - Exempting Royalty Interests Held by Charities

- ▶ Amends §11.18
- ▶ Applies to a charitable org is described under 11.18(d):
 - ▶ (1)-providing medical care
 - ▶ (2)-providing support to orphans/children in need of residential care, abused spouses or children, or victims of natural disasters
 - ▶ (3)(A)(ii)-facilities to support the special needs of elderly persons
 - ▶ (5)- orgs promoting or operating museums, zoos, libraries, theaters, symphonies or choirs
 - ▶ (8)- volunteer fire depts.
 - ▶ (13)-housing and related care for those 62 and older without regard to ability to pay
 - ▶ (15)-organized solicitation of \$ for grants to other non profits that provide human health and welfare services
 - ▶ (19)-providing housing for over 62 in certain retirement communities
- ▶ Exempts a mineral interest in place, including a royalty interest, if the interest is (a) not severed from the surface or (b) was donated by the previous owner.
- ▶ Effective 1/1/24 and applies to 2024 tax year and forward.
- ▶ No constitutional amendment

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HB 4077 - Automatic HS exemption for Over 65

- ▶ Amends 11.43(m)
- ▶ Makes clear that a person receiving a general homestead exemption who turns 65 automatically gets the over 65 exemption without application
- ▶ Effective 1/1/24 and applies to tax year 24 and after

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HB 4645 - Low inc housing on a ground lease

- ▶ Adds 11.1825(a-1)
- ▶ An org that leases land is entitled to the exemption on the improvements used to provide housing to families meeting the income requirements. The organization is considered to be the owner of the land for purposes of the requirements in 11.1825 that the org own the property.
- ▶ A reference to an exemption in 11.1825 means the improvements on leased land if the property consists of land and improvements.
- ▶ Effective 1/1/24 and applies to tax year 24 and after

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SB 719 - Exempts organizations placing foster care or adoptions or providing pregnancy support

- ▶ Amends 11.18(d)
- ▶ Adds 11.18(d)(26) to exempt an organization providing services related to planning for the placement or placing children in adoptive homes or foster care, or providing support or relief to women who are considering placement
- ▶ Also replaces the term “handicapped” with “disabled” or “disability.”
- ▶ Effective 1/1/24 and applies to tax year 24 and after

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SB 1145 - optional exemption for child care

- ▶ Adds §11.36
- ▶ Defines qualifying child-care facilities (licensed, can be for-profit, participates in the TWC's Rising Star Program & 20% of children enrolled receive subsidy through TWC)
- ▶ Provides for a local option exemption by a county or city of all or part of the appraised value of such a facility, whether owned by the person who operates the child-care facility or rented to the child care facility
- ▶ Can be adopted as a percentage of value, but not less than 50%.
- ▶ Cannot be claimed on a property receiving a homestead exemption.
- ▶ If leased, applicant must provide an affidavit to the CAD that they are crediting the child-care facility for the amount saved in taxes and that they are charging typical or normal rent.
- ▶ Comptroller may adopt forms.
- ▶ Effective 1/1/24 and applies to tax year 24 and after if SJR 64 passes

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SJR 64 - Optional exemption for child care

- ▶ Constitutional amendment
- ▶ On the ballot November
- ▶ Ballot language: "The constitutional amendment authorizing a local option exemption from ad valorem taxation by a county or municipality of all or part of the appraised value of real property used to operate a child-care facility."

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SB 1381 - Automatic exemption for surviving spouse of O65/disabled

- ▶ Amends 11.43
- ▶ Requires space on a homestead application for the birth date of the applicant's spouse
- ▶ If the CAD learns of an over 65 person dying, the surviving spouse is entitled to receive the exemption without applying if eligible as shown by records of the CAD or information from TDPS provided to the district.
- ▶ Does not apply if the Chief Appraiser determines the spouse is no longer entitled to the exemption.
- ▶ Applies to tax year 2024 and forward

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SB 1801 - Required homestead audits

- ▶ Amends Sec. 11.43
- ▶ Requires the chief appraiser to develop a program for the periodic review of homestead exemptions.
- ▶ Must review each HS once every 5 years. Can review in phases.
- ▶ Develop and implement no later than Jan. 1, 2024.
- ▶ Eff. Sept 1, 2023.

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SB 2289 - Exempts Inventory/FFE of manufacturer of biomedical or medical equipment

- ▶ Adds 11.36
- ▶ Exempts owned or leased medical or biomedical property located in a manufacturing facility that the person owns or leases.
- ▶ Medical or biomedical property is
 - ▶ Used in manufacturing medical or biomedical products
 - ▶ Intended for use in diagnosis, cure, mitigation, treatment, or prevention of a condition or disease or in research (Includes devices therapeutics, pharmaceuticals, PPE, tools, apparatuses, instruments, implants, property exempted under § 151.318 Tax Code, manufacturing inventories including finished goods.)
- ▶ Manufacturing facility is one making medical or biomedical products for development and commercialization of products to advance public health.
- ▶ Taxing units cannot opt to tax this BPP under Section 11.14(c).
- ▶ Effective for 2024 year if constitutional amendment passes

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SJR 87 - Exempts Inventory/FFE of manufacturer of biomedical or medical equipment

- ▶ Constitutional amendment to allow for exemption of medical or biomedical property.
- ▶ On the ballot in November.
- ▶ Ballot language: “The constitutional amendment to authorize the legislature to exempt from ad valorem taxation equipment or inventory held by a manufacturer of medical or biomedical products to protect the Texas healthcare network and strengthen our medical supply chain.”

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