

BILL ANALYSIS

Senate Research Center

S.B. 1779
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Finance
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As Filed

AUTHOR'S / SPONSOR'S STATEMENT OF INTENT

Hydraulic fracturing is water intensive. Whether its brackish water or recycled water, its use can be a significant cost to hydraulic fracturing because of the cost of acquiring, transporting, and disposing of water. From a long-term perspective, recycling water and reducing water usage for hydraulic fracturing can assist a community's ability to protect future water resources, especially if that community is in a highly productive shale area in Texas.

This legislation allows local governments to use tax abatements to attract new industry and commercial enterprises, and to encourage the retention and development of existing businesses by incentivizing facilities that recycle water used in oil and gas drilling or production.

S.B. 1779 promotes constructing facilities that recycle water used in oil or gas drilling or production by allowing municipalities and counties to enter into tax abatements.

As proposed, S.B. 1779 amends current law relating to ad valorem tax incentives for the recycling of water used in oil or gas drilling or production.

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, to authorize an agreement relating to a certain project plan and a certain reinvestment zone financing plan to, during the term of the agreement, 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 cost of buildings, schools, or other educational facilities owned by or on behalf of a school district, community college district, or other political subdivision of this state, railroad or transit facilities, facilities to recycle water used in oil or gas drilling or production, affordable housing, the remediation of conditions that contaminate public or private land or buildings, the preservation of the facade of a private or public building, the demolition of public or private buildings, or 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.

SECTION 2. Amends Section 312.204(a), Tax Code, as follows:

(a) Authorizes the governing body of a municipality eligible to enter into tax abatement agreements under Section 312.002 (Eligibility of Taxing Unit to Participate in Tax Abatement) to agree in writing with the owner of taxable real property that is located in a reinvestment zone, but that is not in an improvement project financed by tax increment bonds, to exempt from taxation a portion of the value of the real property or of tangible personal property located on the real property, or both, for a period not to exceed 10 years, on the condition that the owner of the property make specific improvements or repairs to the property, including the construction of a facility to recycle water used in oil or gas drilling or production. Authorizes the governing body of an eligible municipality

to agree in writing with the owner of a leasehold interest in tax-exempt real property that is located in a reinvestment zone, but that is not in an improvement project financed by tax increment bonds, to exempt a portion of the value of property subject to ad valorem taxation, including the leasehold interest, improvements, or tangible personal property located on the real property, for a period not to exceed 10 years, on the condition that the owner of the leasehold interest make specific improvements or repairs to the real property, including the construction of a facility to recycle water used in oil or gas drilling or production.

SECTION 3. Effective date: upon passage or September 1, 2013.