



SB 728

Verifying Compliance and Accuracy in Chapter 313 Agreements

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Purpose

SB 728 would require verification of some terms of agreements between school districts and businesses under Chapter 313 of the Texas Tax Code.

Background

Chapter 313 of the Texas Tax Code allows school districts to reduce the amount of property taxes paid by favored businesses that locate or expand within the district's geographic boundaries by limiting the taxable value of their property. In exchange for the reduced property tax burden, districts may receive payments in lieu of taxes that are not subject to wealth equalization calculations under Chapter 41 of the Texas Education Code. Application fees may also be assessed.

The terms of the agreements vary with each school district and business entity, but all must accomplish the purpose, comply with the intent, and be otherwise consistent with the terms of the statute. The Comptroller publishes an annual report that assesses the economic impact of the program broadly. The Comptroller can require recipients of value limitations under Chapter 313 to submit evidence of compliance. At present, there are no certification requirements for that information.

Analysis

SB 728 introduces a certification requirement for the information that recipients of Chapter 313 value limitations provide to the Comptroller. It requires the verification of data by an independent certified public accountant and that the verification draw from reliably sourced information. It names the Texas Workforce Commission and the chief appraiser of the local appraisal district as examples.

Requiring an independent audit mitigates risk of abuse or falsely reported data from local parties with a vested interest in preserving the value limitation agreements. Reliable data is important for the formal assessment by the Comptroller, but also for citizen input. At present, negotiations of economic development incentives like Chapter 313 are hidden from public view due to exemptions from the Texas Open Meetings Act and Public Information Act. The publication of reliable data becomes a critical component of public assessment of these incentives.

Recommendations

SB 728 is a necessary step in verifying the reliability of information on a popular economic development tool across the state. It does not resolve issues relating to school finance, public input prior to the finalization of agreements, or lack of local benefit that arise from Chapter 313 of the Tax Code. These issues should be addressed in addition to SB 728 to provide a robust program of reform. ★

