

What Realtors Need to Know About MUDs, PIDs, PUDs, & TIFs

Tips for Realtors

When a property is located in one of these districts, specific disclosures are required of the transaction and failure to obtain that disclosure can result in termination of the contract or even a monetary penalty. A disclosure for each of these districts is required to be signed before the contract is executed. As of 2/1/2023, the TREC contracts have been modified to provide space for Realtors to list all disclosures. As a Realtor, make sure that the appropriate forms are filled out prior to execution in order to avoid a potentially painful outcome!

What are PIDs & PUDs?

Under Texas law, if a seller's property is located in a water district, like a municipal utility district (MUD), the seller must provide a notice that includes certain specific information to the buyer prior to execution of the contract. The language of the notice is provided—word for word—by statute.

Water districts are required to post the notice containing the information in this form on the district's website. However, if the district does not have the notice on its website, the seller can obtain the information from the district and then could use that information to complete.

What are MUDs?

Municipal Utility Districts, or MUDs, finance the construction of public infrastructure that does not yet exist, typically utility facilities and roadways. Over time, developers within a MUD can be reimbursed for water, sewer, drainage and sometimes road infrastructure through property taxes. The purpose of a MUD is to provide a developer an alternative way to finance infrastructure. Homeowners in a MUD receive a monthly bill from the MUD for water and sewer usage as well as an annual tax bill. This MUD tax will be in lieu of a city tax and is a deductible property tax. The MUD is a political entity that can levy taxes overseen by the Texas Commission on Environmental Quality. MUD taxes generally have no expiration date. As more homes are constructed in MUD districts, MUD taxes can decrease or be eliminated over time.

What are TIFs?

TIF (Tax Increment Financing) is a public financing method used to subsidize community improvements such as new public utility facilities and area improvements. TIF is authorized at the state level and administered by local governments. TIF is intended for local government to designate areas or redevelopment to encourage economic development to create jobs and to increase the tax base. Both TIFs and PIDs are components of a city and governed by a city council.

Voluntary MUD Form Adopted (2.2024)

PIDs and PUDs are not the same thing even though the acronyms are often used interchangeably. A PID (Public Improvement District) is an entity created by a city or county under the authority of Chapter 372 of the Texas Legal code. The statute allows for a city or county to levy a special assessment against properties within the District to pay for improvements to the properties within the District. This assessment is in addition to property taxes and are only levied for a set number of years established by the PID's service plan which is a minimum of five years. It is important to note that a public hearing must be held before a PID can issue bonds.

A PUD (Public Utility District) is created by the community and operated under an elected board which may seem similar to an HOA, however it exists solely to provide electricity, water, sewer, and telecommunications. Although PUDs are controlled by the homeowners, they operate independently from the HOA.

Do license holders fill out this form? No.

This form is confusing. Why didn't TREC change it? The statute provides the disclosure language that is required for use verbatim. The Texas Broker-Lawyer Committee could not change the statutorily required language, but it did add an introductory clarifying paragraph to the form.

When is the form available to use?

It is currently available and ready to use. →

- <https://rb.gy/tcv9ee>



SOURCES:

<https://www.mymetrotex.com/muds-pids-puds-tifs-what-realtors-need-to-know/>
https://www.har.com/blog_93596_what-is-a-mud-pid-and-title-commitment