

BILL ANALYSIS

H.B. 2912
By: Homer
Economic Development
Committee Report (Unamended)

BACKGROUND AND PURPOSE

Since 1989, Texas law has allowed the voters in eligible cities to impose a local sales and use tax dedicated to helping finance their communities' economic development projects. The economic development sales tax has become a key component of local economic development programs for communities throughout Texas. However, certain changes, coupled with liberal legal interpretations of the statutory language, have resulted in sales tax expenditures by a few cities in a manner that goes beyond the original focus and legislative intent behind the Act. H.B. 2912 amends the Development Corporation Act of 1979 to refocus the use of the economic development sales tax on the creation or retention of primary jobs, those that generate wealth or bring new dollars into the state or region.

RULEMAKING AUTHORITY

It is the committee's opinion that this bill does not expressly grant any additional rulemaking authority to a state officer, department, agency, or institution.

ANALYSIS

HB 2912 amends the Development Corporation Act of 1979 relating to industrial development corporations.

HB 2912 amends the definition of project to include corporate headquarters facilities.

HB 2912 amends the definition of project to remove language relating to the closure or realignment of a military base.

HB 2912 amends the definition of project to include infrastructure necessary for the promotion or development of business, limited to: streets, and roads; water, gas and electric utilities; drainage and related improvements; and telecommunications and internet improvements.

HB 2912 amends the definition of project to new or expanded businesses that create or retain primary jobs. The bill defines primary job as one defined by the North American Industrial Classification and is designated as a primary job by the comptroller.

HB 2912 prohibits an industrial development corporation from providing a direct incentive or making an expenditure on behalf of a business unless both parties enter a performance agreement specifying the number of jobs created, capitol investment to be made and terms under which the incentive or expenditure must be repaid if the performance agreement is not met.

EFFECTIVE DATE

Upon passage, or, if the Act does not receive the necessary vote, the Act takes effect September 1, 2003.