

By: Rodriguez

H.B. No. 2499

A BILL TO BE ENTITLED

AN ACT

relating to the use of tax proceeds by certain economic development corporations.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF TEXAS:

SECTION 1. Section 2, Development Corporation Act of 1979 (Article 5190.6, Vernon's Texas Civil Statutes), is amended by adding Subdivision (17) to read as follows:

(17) "Small business" means a legal entity, including a corporation, partnership, or sole proprietorship, that:

(A) is formed for the purpose of making a profit;

(B) is independently owned and operated; and

(C) has fewer than 25 employees or less than \$500,000 in annual gross receipts.

SECTION 2. Section 4A, Development Corporation Act of 1979 (Article 5190.6, Vernon's Texas Civil Statutes), is amended by amending Subsection (f) and adding Subsection (f-1) to read as follows:

(f) On receipt of the proceeds of the sales and use tax imposed under this section from the comptroller, the city shall deliver the proceeds to the corporation to use in carrying out its functions. The corporation shall retain 10 percent of the tax proceeds it receives each fiscal year to pay for the costs of a project or other activity of a small business located in the eligible city. Tax proceeds retained under this subsection may be

1 used only for the purposes specified in this subsection.

2 (f-1) Tax proceeds may also be used to pay:

3 (1) the principal of, interest on, and other costs  
4 relating to the corporation's bonds, but neither the bonds nor any  
5 instrument related to the bonds may give a bondholder a right to  
6 demand payment from tax proceeds in excess of those collected from  
7 the tax imposed by this section; and

8 (2) [~~Tax proceeds may also be used to pay~~] expenses  
9 incurred by the corporation under Section 38 of this Act relating to  
10 job training.

11 SECTION 3. Section 4B, Development Corporation Act of 1979  
12 (Article 5190.6, Vernon's Texas Civil Statutes), is amended by  
13 amending Subsection (g) and adding Subsection (g-1) to read as  
14 follows:

15 (g) On receipt of the proceeds of the sales and use tax  
16 imposed under this section from the comptroller, the eligible city  
17 shall deliver the proceeds to the corporation. The corporation  
18 shall retain 10 percent of the tax proceeds it receives each fiscal  
19 year to pay for the costs of a project or other activity of a small  
20 business located in the eligible city. Tax proceeds retained under  
21 this subsection may be used only for the purposes specified in this  
22 subsection.

23 (g-1) Tax proceeds may also be used to:

24 (1) pay the costs of projects of the types added to the  
25 definition of that term by Subsection (a) of this section; or

26 (2) pay the principal of, interest on, and other costs  
27 relating to bonds or other obligations issued by the corporation to

1 pay the costs of the projects or to refund bonds or other  
2 obligations issued to pay the costs of projects.

3 SECTION 4. Section 4C(b), Development Corporation Act of  
4 1979 (Article 5190.6, Vernon's Texas Civil Statutes), is amended  
5 to read as follows:

6 (b) The reporting form shall not exceed one page in length  
7 and must include:

8 (1) a statement of the corporation's primary economic  
9 development objectives;

10 (2) a statement of the corporation's total revenues  
11 during the preceding fiscal year;

12 (3) a statement of the corporation's total  
13 expenditures during the preceding fiscal year;

14 (4) a statement of the corporation's total  
15 expenditures during the preceding fiscal year in each of the  
16 following categories:

17 (A) administration;

18 (B) personnel;

19 (C) marketing or promotion;

20 (D) direct business incentives;

21 (E) job training;

22 (F) debt service;

23 (G) capital costs;

24 (H) affordable housing; and

25 (I) payments to taxing units, including school  
26 districts;

27 (5) a list of the corporation's capital assets,

1 including land and buildings; [~~and~~]

2 (6) a statement of the total amount of tax proceeds  
3 retained during the preceding fiscal year for projects and  
4 activities of small businesses as required by Sections 4A(f) and  
5 4B(g) of this Act; and

6 (7) [~~(6)~~] any other information the comptroller  
7 requires to determine the use of the sales and use tax imposed under  
8 Section 4A or 4B of this Act to encourage economic development in  
9 this state.

10 SECTION 5. This Act takes effect immediately if it receives  
11 a vote of two-thirds of all the members elected to each house, as  
12 provided by Section 39, Article III, Texas Constitution. If this  
13 Act does not receive the vote necessary for immediate effect, this  
14 Act takes effect September 1, 2003.