

By: Hegar

H.B. No. 2623

A BILL TO BE ENTITLED

AN ACT

relating to the use of certain tax incentives by municipalities for certain economic development.

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

SECTION 1. Chapter 380, Local Government Code, is amended by adding Section 380.004 to read as follows:

Sec. 380.004. SALES AND USE TAX REBATES. (a) A municipality or a development corporation created under the Development Corporation Act of 1979 (Article 5190.6, Vernon's Texas Civil Statutes) may not offer to rebate sales and use taxes to provide an economic incentive to persuade a person to relocate all or part of an existing business from a different municipality in this state.

(b) For purposes of this section, the establishment of a new business in a municipality is considered to be a relocation of part of an existing business if the existing business continues to conduct business in the original municipality, the existing business owns or operates the new business, the new business performs services that are essential to the existing business, and:

(1) the services the new business performs for the existing business consist primarily of purchasing taxable items using a resale certificate and then reselling those items to the existing business; or

(2) the municipality in which the original business is

1 located will lose more than 25 percent of the municipal sales and  
2 use tax revenue generated by transactions conducted by the original  
3 business.

4 SECTION 2. This Act takes effect September 1, 2003, and  
5 applies only to an economic incentive offered on or after that date.  
6 An economic incentive offered before that date is governed by the  
7 law in effect when the incentive was offered, and that law is  
8 continued in effect for that purpose.