

1-1 By: Armbrister S.B. No. 1262
1-2 (In the Senate - Filed March 12, 2003; March 19, 2003, read
1-3 first time and referred to Committee on Intergovernmental
1-4 Relations; May 2, 2003, reported adversely, with favorable
1-5 Committee Substitute by the following vote: Yeas 5, Nays 0;
1-6 May 2, 2003, sent to printer.)

1-7 COMMITTEE SUBSTITUTE FOR S.B. No. 1262 By: Wentworth

1-8 A BILL TO BE ENTITLED
1-9 AN ACT

1-10 relating to the use of certain tax incentives by municipalities for
1-11 certain economic development.

1-12 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF TEXAS:

1-13 SECTION 1. Chapter 380, Local Government Code, is amended
1-14 by adding Section 380.004 to read as follows:

1-15 Sec. 380.004. SALES AND USE TAX REBATES. (a) A
1-16 municipality or a development corporation created under the
1-17 Development Corporation Act of 1979 (Article 5190.6, Vernon's Texas
1-18 Civil Statutes) may not rebate sales and use taxes to provide an
1-19 economic incentive to persuade a person to relocate all or part of
1-20 an existing business from a different municipality in this state.

1-21 (b) For purposes of this section, the establishment of a new
1-22 business in a municipality is considered to be a relocation of part
1-23 of an existing business if the existing business continues to
1-24 conduct business in the original municipality, the existing
1-25 business owns or operates the new business or the new business is an
1-26 affiliate or subsidiary of the original business, the new business
1-27 performs services that are essential to the existing business, and:

1-28 (1) the services the new business performs for the
1-29 existing business consist primarily of purchasing taxable items
1-30 using a resale certificate and then reselling those items to the
1-31 existing business; or

1-32 (2) the municipality in which the original business is
1-33 located will lose more than 25 percent of the municipal sales and
1-34 use tax revenue generated by transactions conducted by the original
1-35 business.

1-36 SECTION 2. This Act takes effect September 1, 2003, and
1-37 applies only to an economic incentive offered on or after that date.
1-38 An economic incentive offered before that date is governed by the
1-39 law in effect when the incentive was offered, and that law is
1-40 continued in effect for that purpose.

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