

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 78TH LEGISLATIVE REGULAR SESSION

April 30, 2003

TO: Honorable Frank Madla, Chair, Senate Committee on Intergovernmental Relations

FROM: John Keel, Director, Legislative Budget Board

IN RE: **SB1262** by Armbrister (Relating to the use of certain tax incentives by municipalities for certain economic development.), **Committee Report 1st House, Substituted**

No fiscal implication to the State is anticipated.

The bill would amend the Local Government Code to prohibit a municipality or a development corporation from rebating 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 the state. The bill would take effect immediately if it receives a two-thirds vote in each house; otherwise, it would take effect September 1, 2003.

There would be no direct fiscal impact to a municipality or development corporation from not being allowed to rebate taxes, because no revenue would be lost, although a municipality or a development corporation may incur some other type of costs in efforts to lure businesses to relocate to the municipality. A municipality that might otherwise lose a business that would relocate in response to tax rebates would retain the positive economic impact of having the business continue to operate in the original municipality.

The City of Conroe reported to the Comptroller of Public Accounts that the city would experience a savings of approximately \$2 million by not having to provide tax rebates in order to retain existing businesses in the city. Officials in the cities of Sugar Land and Plano reported no immediate fiscal impact, but estimated there could be some negative fiscal impact related to future development efforts.

Local Government Impact

No immediate fiscal implication to units of local government is anticipated.

Source Agencies: 304 Comptroller of Public Accounts

LBB Staff: JK, JRO, JB, DLBa