

BILL ANALYSIS

C.S.H.B. 2755
By: McReynolds
Economic Development
Committee Report (Substituted)

BACKGROUND AND PURPOSE

Economic development corporations (EDC's), created by the Development Corporation Act of 1979, allow cities to collect sales and use taxes for the purpose of economic development. EDC's are particularly important for smaller cities that have a difficult time competing with larger cities when trying to attract new businesses to the community. Unfortunately, because of past abuses by some corporations, current law is restrictive as to how corporations can spend their revenue. These restrictions have crippled small communities' abilities to expend funds to attract and maintain jobs.

HB 2755 broadens the function of 4B corporations that generate less than \$50,000 in taxes per year by allowing proceeds to be spent on projects that are not limited to primary jobs. This legislation will allow these eligible communities to fully capitalize on tax proceeds generated by 4B corporations. HB 2755 will help small communities and will still only allow 4B tax revenue to be spent toward relevant projects that provide economic development to the community.

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

SECTION 1. Amends Section 4B(a)(2), Development Corporation Act of 1979, Article 5190.6 of Vernon's Texas Civil Statutes by adding subsection (F).

(F) adds new language to include the requirement of suitability for the development, retention or expansion of business projects if the project is under a corporation of the eligible city. Requirements for eligible city are detailed in (i) and (ii). These requirements include limitation on the amount of sales and use tax that can be earned and the mandate that the project be adopted by proclamation and read twice as specified.

SECTION 2. This Act takes effect immediately if it receives a vote of two-thirds of all the members elected to each house, as provided by Section 39, Article III, Texas Constitution. If this Act does not receive the vote necessary for immediate effect, this Act takes effect September 1, 2005.

EFFECTIVE DATE

Upon passage, or, if the Act does not receive the necessary vote, the Act takes effect September 1, 2005.

COMPARISON OF ORIGINAL TO SUBSTITUTE

The substitute bill restructures the code placement from the original bill and adds Subsection (F)(ii) requiring that a city that has authorized a project is required to adopt a resolution and give that resolution two separate readings at least one week apart.