

BILL ANALYSIS

C.S.H.B. 3450
By: Coleman
Local Government Ways & Means
Committee Report (Substituted)

BACKGROUND AND PURPOSE

Under current law cities in Texas cannot use sales taxes to finance projects listed in a project plan for a tax increment reinvestment zone (TIRZ). Tax Increment Reinvestment Zones are used to aid in the redevelopment of blighted areas. House Bill 3450 would allow cities to dedicate all or a portion of a city's sales tax increment to a tax increment fund. The bill provides for both an annual "pay-as-you-go" sales tax contribution and the ability for a city or a local government corporation to issue debt obligations using sales tax increment as security. The intent of HB 3450 is to increase cities' flexibility for financing TIRZ projects.

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. Defines "sales tax base." The section provides that a municipality's governing body may by ordinance determine the portion of its tax increment generated from municipal sales and use taxes attributable to the zone to be deposited into the tax increment fund (TIF). However, nothing requires the municipality to contribute sales tax increment into a TIF. The municipality may also enter into an agreement to authorize and direct the comptroller, before issuing a bond, note, or other obligation that pledges the payments into the TIF, to withhold an amount of sales and use taxes and deposit the amount into the TIF fund for the municipality. A local government corporation created under Chapter 431, Transportation Code, may be a party to the agreement with the comptroller. This section also describes the only uses allowed for the sales and use taxes deposited into the TIF.

SECTION 2. Provides that the municipality's obligation to deposit sales and use taxes into the TIF fund is not a general obligation of the municipality.

SECTION 3. Effective date.

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 modifies the original bill by clarifying that nothing requires the municipality to contribute sales tax increment into a TIF.