

BILL ANALYSIS

S.B. 1199
By: Ellis
Local Government Ways & Means
Committee Report (Unamended)

BACKGROUND AND PURPOSE

Currently, sales tax cannot be contributed to a Tax Increment Reinvestment Zone (TIRZ). Allowing cities to contribute sales taxes would give them greater flexibility in financing TIRZ projects. S.B. 1199 allows cities to contribute a sales tax increment to a TIRZ. Several large TIRZs in Houston are primarily in large commercial activity centers. The proposal to dedicate all or a portion of a city's sales tax increment provides the city flexibility for mall/retail-oriented redevelopment projects. Providing for sales tax increment enables cities to complete a TIRZ project plan more quickly.

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 Chapter 311, Tax Code, by adding Section 311.0123, as follows:

Sec. 311.0123. SALES TAX INCREMENT. (a) Defines "sales tax base."

(b) Authorizes the governing body of a municipality to determine, in an ordinance designating an area as a reinvestment zone or in an ordinance adopted subsequent to the designation of a zone, the portion or amount of tax increment generated from municipal sales and use taxes attributable to the zone, above the sales tax base, to be deposited into the tax increment fund. Provides that nothing in this section requires a municipality to contribute sales tax into a tax increment fund.

(c) Authorizes the governing body of a municipality, before the issuance of a bond, note, or other obligation under this chapter that pledges the payments into the tax increment fund under Subsection (b), to enter into an agreement, under Subchapter E (State Intercept to Increase Credit Rating), Chapter 271, Local Government Code, to authorize and direct the comptroller to take certain actions.

(d) Authorizes a local government corporation created under Chapter 431 (Texas Transportation Corporation Act), Transportation Code, that has contracted with a reinvestment zone and a municipality under Section 311.010(f) (Powers and Duties of Board of Directors) to be party to an agreement under Subsection (c) and authorizes the agreement to provide for payments to be made to a paying agent of the local government corporation.

(e) Authorizes the sales and use taxes to be deposited into the tax increment fund under this section to be dispersed from the fund only to accomplish certain objectives.

SECTION 2. Amends Section 311.015, Tax Code, by adding Subsection (i-1), as follows:

(i-1) Provides that a municipality's obligation to deposit sales and use taxes into the tax increment fund is not a general obligation of the municipality. Provides that an

obligation to make payments from sales and use taxes under Section 311.0123 does not give rise to a charge against the general credit or taxing powers of the municipality and is not payable except as provided by this chapter. Requires a tax increment bond or note issued under this chapter that pledges payments made under Section 311.0123 to state the restrictions of this subsection on its face.

SECTION 3. Effective date: upon passage or September 1, 2005.

EFFECTIVE DATE

Upon passage or September 1, 2005.