

AN ACT

relating to the deposit of municipal sales and use taxes into a tax increment fund.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF TEXAS:

SECTION 1. Chapter 311, Tax Code, is amended by adding Section 311.0123 to read as follows:

Sec. 311.0123. SALES TAX INCREMENT. (a) In this section, "sales tax base" for a reinvestment zone means the amount of municipal sales and use taxes attributable to the zone for the year in which the zone was designated under this chapter.

(b) The governing body of a municipality may 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. Nothing in this section requires a municipality to contribute sales tax increment into a tax increment fund.

(c) 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), the governing body of a municipality may enter into an agreement, under Subchapter E, Chapter 271, Local Government Code, to authorize and direct the comptroller to:

(1) withhold from any payment to which the

1 municipality may be entitled the amount of the payment into the tax
2 increment fund under Subsection (b);

3 (2) deposit that amount into the tax increment fund;
4 and

5 (3) continue withholding and making additional
6 payments into the tax increment fund until an amount sufficient to
7 satisfy the amount due has been met.

8 (d) A local government corporation created under Chapter
9 431, Transportation Code, that has contracted with a reinvestment
10 zone and a municipality under Section 311.010(f) may be a party to
11 an agreement under Subsection (c) and the agreement may provide for
12 payments to be made to a paying agent of the local government
13 corporation.

14 (e) The sales and use taxes to be deposited into the tax
15 increment fund under this section may be disbursed from the fund
16 only to:

17 (1) satisfy claims of holders of tax increment bonds,
18 notes, or other obligations issued for the reinvestment zone;

19 (2) pay project costs for the zone; and

20 (3) make payments in accordance with an agreement made
21 under Section 311.010(b) dedicating revenue from the tax increment
22 fund.

23 SECTION 2. Section 311.015, Tax Code, is amended by adding
24 Subsection (i-1) to read as follows:

25 (i-1) A municipality's obligation to deposit sales and use
26 taxes into the tax increment fund is not a general obligation of the
27 municipality. An obligation to make payments from sales and use

1 taxes under Section 311.0123 does not give rise to a charge against
2 the general credit or taxing powers of the municipality and is not
3 payable except as provided by this chapter. A tax increment bond or
4 note issued under this chapter that pledges payments made under
5 Section 311.0123 must state the restrictions of this subsection on
6 its face.

7 SECTION 3. This Act takes effect immediately if it receives
8 a vote of two-thirds of all the members elected to each house, as
9 provided by Section 39, Article III, Texas Constitution. If this
10 Act does not receive the vote necessary for immediate effect, this
11 Act takes effect September 1, 2005.

President of the Senate

Speaker of the House

I hereby certify that S.B. No. 1199 passed the Senate on May 3, 2005, by the following vote: Yeas 31, Nays 0.

Secretary of the Senate

I hereby certify that S.B. No. 1199 passed the House on May 13, 2005, by the following vote: Yeas 142, Nays 0, two present not voting.

Chief Clerk of the House

Approved:

Date

Governor