

By: Ellis

S.B. No. 1199

A BILL TO BE ENTITLED

AN ACT

1
2 relating to the deposit of municipal sales and use taxes into a tax
3 increment fund.

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

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

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

11 (b) The governing body of a municipality may determine, in
12 an ordinance designating an area as a reinvestment zone or in an
13 ordinance adopted subsequent to the designation of a zone, the
14 portion or amount of tax increment generated from municipal sales
15 and use taxes attributable to the zone, above the sales tax base, to
16 be deposited into the tax increment fund.

17 (c) Before the issuance of a bond, note, or other obligation
18 under this chapter that pledges the payments into the tax increment
19 fund under Subsection (b), the governing body of a municipality may
20 enter into an agreement, under Subchapter E, Chapter 271, Local
21 Government Code, to authorize and direct the comptroller to:

22 (1) withhold from any payment to which the
23 municipality may be entitled the amount of the payment into the tax
24 increment fund under Subsection (b);

1 (2) deposit that amount into the tax increment fund;
2 and
3 (3) continue withholding and making additional
4 payments into the tax increment fund until an amount sufficient to
5 satisfy the amount due has been met.

6 (d) A local government corporation created under Chapter
7 431, Transportation Code, that has contracted with a reinvestment
8 zone and a municipality under Section 311.010(f) may be a party to
9 an agreement under Subsection (c) and the agreement may provide for
10 payments to be made to a paying agent of the local government
11 corporation.

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

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

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

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

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

23 (i-1) A municipality's obligation to deposit sales and use
24 taxes into the tax increment fund is not a general obligation of the
25 municipality. An obligation to make payments from sales and use
26 taxes under Section 311.0123 does not give rise to a charge against
27 the general credit or taxing powers of the municipality and is not

1 payable except as provided by this chapter. A tax increment bond or
2 note issued under this chapter that pledges payments made under
3 Section 311.0123 must state the restrictions of this subsection on
4 its face.

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