

1-1 By: Ellis S.B. No. 1199
1-2 (In the Senate - Filed March 9, 2005; March 21, 2005, read
1-3 first time and referred to Committee on Intergovernmental
1-4 Relations; April 22, 2005, reported adversely, with favorable
1-5 Committee Substitute by the following vote: Yeas 5, Nays 0;
1-6 April 22, 2005, sent to printer.)

1-7 COMMITTEE SUBSTITUTE FOR S.B. No. 1199 By: Gallegos

1-8 A BILL TO BE ENTITLED
1-9 AN ACT

1-10
1-11 relating to the deposit of municipal sales and use taxes into a tax
1-12 increment fund.

1-13 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF TEXAS:

1-14 SECTION 1. Chapter 311, Tax Code, is amended by adding
1-15 Section 311.0123 to read as follows:

1-16 Sec. 311.0123. SALES TAX INCREMENT. (a) In this section,
1-17 "sales tax base" for a reinvestment zone means the amount of
1-18 municipal sales and use taxes attributable to the zone for the year
1-19 in which the zone was designated under this chapter.

1-20 (b) The governing body of a municipality may determine, in
1-21 an ordinance designating an area as a reinvestment zone or in an
1-22 ordinance adopted subsequent to the designation of a zone, the
1-23 portion or amount of tax increment generated from municipal sales
1-24 and use taxes attributable to the zone, above the sales tax base, to
1-25 be deposited into the tax increment fund. Nothing in this section
1-26 requires a municipality to contribute sales tax increment into a
1-27 tax increment fund.

1-28 (c) Before the issuance of a bond, note, or other obligation
1-29 under this chapter that pledges the payments into the tax increment
1-30 fund under Subsection (b), the governing body of a municipality may
1-31 enter into an agreement, under Subchapter E, Chapter 271, Local
1-32 Government Code, to authorize and direct the comptroller to:

1-33 (1) withhold from any payment to which the
1-34 municipality may be entitled the amount of the payment into the tax
1-35 increment fund under Subsection (b);

1-36 (2) deposit that amount into the tax increment fund;
1-37 and

1-38 (3) continue withholding and making additional
1-39 payments into the tax increment fund until an amount sufficient to
1-40 satisfy the amount due has been met.

1-41 (d) A local government corporation created under Chapter
1-42 431, Transportation Code, that has contracted with a reinvestment
1-43 zone and a municipality under Section 311.010(f) may be a party to
1-44 an agreement under Subsection (c) and the agreement may provide for
1-45 payments to be made to a paying agent of the local government
1-46 corporation.

1-47 (e) The sales and use taxes to be deposited into the tax
1-48 increment fund under this section may be disbursed from the fund
1-49 only to:

1-50 (1) satisfy claims of holders of tax increment bonds,
1-51 notes, or other obligations issued for the reinvestment zone;

1-52 (2) pay project costs for the zone; and

1-53 (3) make payments in accordance with an agreement made
1-54 under Section 311.010(b) dedicating revenue from the tax increment
1-55 fund.

1-56 SECTION 2. Section 311.015, Tax Code, is amended by adding
1-57 Subsection (i-1) to read as follows:

1-58 (i-1) A municipality's obligation to deposit sales and use
1-59 taxes into the tax increment fund is not a general obligation of the
1-60 municipality. An obligation to make payments from sales and use
1-61 taxes under Section 311.0123 does not give rise to a charge against
1-62 the general credit or taxing powers of the municipality and is not
1-63 payable except as provided by this chapter. A tax increment bond or

2-1 note issued under this chapter that pledges payments made under
2-2 Section 311.0123 must state the restrictions of this subsection on
2-3 its face.

2-4 SECTION 3. This Act takes effect immediately if it receives
2-5 a vote of two-thirds of all the members elected to each house, as
2-6 provided by Section 39, Article III, Texas Constitution. If this
2-7 Act does not receive the vote necessary for immediate effect, this
2-8 Act takes effect September 1, 2005.

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