

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 79TH LEGISLATIVE REGULAR SESSION

March 21, 2005

TO: Honorable Allan Ritter, Chair, House Committee on Economic Development

FROM: John S. O'Brien, Deputy Director, Legislative Budget Board

IN RE: HB498 by Chisum (Relating to a project that may be undertaken by a certain development corporation in connection with new or expanded business development.), **As Introduced**

No significant fiscal implication to the State is anticipated.

This bill would amend the Development Corporation Act of 1979 (the Act) to allow industrial development corporations created under the Act by cities with a population of less than 25,000 to undertake a wider range of projects related to business development. These corporations would be able to undertake a project for the promotion of new or expanded business development, without the benefiting business having to meet the definition of "primary jobs." Under current law, an industrial development corporation (corporation) can lease authorized projects to a nonexempt entity and that project is exempt from ad valorem, sales and use taxes or any other taxes levied or imposed by this state or any political subdivision of the state. Since the bill would expand the types of authorized projects, it could impact the amount of taxable property values and the related ad valorem taxes as well as other taxes.

Section 403.302 of the Government Code requires the Comptroller to conduct a property value study to determine the total taxable value for each school district. Total taxable value is an element in the state's school funding formula. Passage of this bill could cause a change in the school district taxable values reported to the Commissioner of Education by the Comptroller and a change in state costs to the Foundation School Fund.

Local Government Impact

Since the bill would expand the types of authorized projects, it could impact the amount of taxable property values and the related ad valorem taxes as well as other taxes collected by units of local government.

While the number of development corporations created by cities statewide is unknown, corporations created under Sections 4A and 4B of the Act are required to file an annual report with the Comptroller. For fiscal 2004, there were 517 cities with a 4A and/or 4B development corporation(s). Of these, 457 have a population of less than 25,000 and could be impacted by this bill.

Source Agencies: 301 Office of the Governor, 304 Comptroller of Public Accounts

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