

**SUBJECT:** Economic development sales tax for cities in Tarrant County

**COMMITTEE:** Economic Development — committee substitute recommended

**VOTE:** 8 ayes — Oliveira, Yarbrough, Davis, Luna, Raymond, Shields, Solomons, Van de Putte

0 nays

1 absent — Moffat

**WITNESSES:** For — Bill Abbot, Mayor of Kennedale

Against — None

On — Bob Bearden, State Comptroller's Office

**BACKGROUND:** In 1991 the Legislature authorized certain cities to impose an economic development sales tax if the city's voters approve. The Development Corporation Act grants authority to impose the economic development tax to various kinds of cities. Among those are cities in counties with populations of 750,000 or more (Harris, Dallas, Bexar and Tarrant) if the city has a combined state and local sales and use tax rate of 7.25 percent or less. A city with a population of 400,000 or more located in more than one county may impose the tax if its combined sales tax rate is 8.25 percent or less.

An economic development sales tax may be used to finance professional and amateur sports facilities, convention centers, parks, municipal buildings, museums and other projects that would economically develop a city.

**DIGEST:** CSHB 788 would allow a city with a combined state and local sales tax rate of up to 7.75 percent to impose an economic sales tax if it was in a county with more than 40 incorporated cities and a population of more than 1.1 million (Tarrant County). Voter approval would be necessary.

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SUPPORTERS SAY:	CSHB 788 would make more cities in Tarrant County eligible to enact an economic development sales tax, if their voters approve. Economic development sales taxes benefit cities by permitting them to raise tax revenue for a variety of purposes to promote job creation. The bill would have no effect on the 2 percent cap on local sales and use taxes or the overall cap of 8.25 percent.
OPPONENTS SAY:	No apparent opposition.
NOTES:	The bill as filed would have raised the sales and use tax cap to 7.75 percent in the authorization for counties of more than 750,000 residents. The committee narrowed applicability to certain cities in Tarrant County.