

BILL ANALYSIS

Senate Research Center

S.B. 747
By: Sibley
Economic Development
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As Filed

DIGEST

Currently, the Development Corporation Act authorizes certain cities to impose an "economic development" sales and use tax with local voter approval. These two taxes are known as the "4A" and "4B tax." Current law limits the ability of cities that levy the more limited 4A tax to undertake 4B projects and does not provide for state reporting of tax expenditures. This bill authorizes cities that levy the 4A tax to undertake 4B projects with voter approval, authorizes cities that levy the 4A tax to repeal the 4A tax and adopt the 4B tax in a single ballot proposition, and requires cities that impose the tax to file an annual expenditure report with the comptroller and for the comptroller to compile a biennial report on the tax. The bill also makes several technical and "clean up" modifications to the Development Corporation Act.

PURPOSE

As proposed, S.B. 747 authorizes cities that levy the 4A tax to undertake 4B projects with voter approval and authorizes cities that levy the 4A tax to repeal the 4A tax and adopt the 4B tax in a single ballot proposition.

RULEMAKING AUTHORITY

This bill does not grant any additional rulemaking authority to a state officer, institution, or agency.

SECTION BY SECTION ANALYSIS

SECTION 1. Amends Sections 4A(n) and (o), Article 5190.6, V.T.C.S. (Development Corporation Act of 1979), as follows:

(n) Provides that a sales and use tax expires on the date set by the governing body under this section or on an earlier date if the tax is repealed under Subsection (o) of this section. Deletes a provision that if an earlier election is held, Sections 321.102(a) and 321.402(b), Tax Code, apply to the date of repeal. Provides that a tax approved without a limit on its period of imposition is effective until repealed in accordance with Subsection (o) of this section. Prohibits a municipality that has imposed a certain tax from extending the period of the tax's imposition or reimpose the tax unless the extension or reimposition is approved by a majority of the qualified voters of the municipality voting in an election called and held for that purpose.

(o) Requires the governing body of a city to order an election on the issue, on petition of 10 percent of the voters requesting an election on the increase, decrease, or abolition of the tax under this section. Sets forth the language for the ballot. Provides that Section 321.102(a), Tax Code, applies to the abolition of a tax under this subsection. Sets forth a situation whereby the tax is to continue to be collected. Requires a corporation to notify the comptroller when bonds are paid. Prohibits a tax imposed under this section from being collected after the last day of the first calendar quarter beginning after the date of notification to the comptroller.

SECTION 2. Amends Section 4A, Article 5190.6, V.T.C.S., by adding Subsection (s), to authorize a city to submit to the voters of the city a ballot proposing the use of certain taxes for specific projects which do not qualify under this section, but qualify under Section 4B of this Act. Provides

that prior approval of a specific project does not prohibit a city from seeking voter approval on additional projects under this subsection to be funded from the same sales and use tax. Sets forth requirements for language in a ballot. Sets forth the notice and hearing requirements. Sets forth guidelines if voters fail to approve an issue.

SECTION 3. Amends Section 4B, Article 5190.6, V.T.C.S., by redesignating Subsection (a-1) as Subsection (a-3) and adding a new Subsection (a-1), to prohibit a corporation from undertaking a project unless a city has adopted a sales and use tax under this section for the benefit of the corporation. Makes conforming changes.

SECTION 4. Amends Section 4B(c), Article 5190.6, V.T.C.S., to authorize a person serving as a director of a corporation created under Section 4A of this Act at the time of dissolution to serve on the board of the corporation created under this section, notwithstanding any other provision of this subsection, if a city dissolves a corporation created under Section 4A of this Act and creates a corporation under this section.

SECTION 5. Amends Section 4B, Article 5190.6, V.T.C.S., by amending Subsections (e) and (f) and adding Subsections (i-1), (i-2), and (i-3), as follows:

(e) Requires a ballot proposition to impose a tax under this section to clearly state that the voters are voting on the adoption of a new sales and use tax and identify the proposed use of or purpose for the tax revenue. Provides that if maintenance and operating costs are to be paid from the tax, the ballot language must clearly state that fact. Authorizes a corporation that holds an election to reduce or repeal a tax imposed under Section 4A of this Act, in the same or in a separate proposition, to adopt a tax under this section. Deletes one of two existing Subsection (e)'s to clean up the statute.

(f) Provides that Chapter 321, Tax Code, governs the abolition of the tax. Sets forth requirements for the ballot.

(i-1) Sets forth the requirements of an election on the dissolution of the corporation and the ballot. Sets forth procedures to be taken by a corporation if the voters approve the dissolution of the corporation.

(i-2) Sets forth the requirements of an election on abolishing the tax under this section and the ballot. Sets forth a situation whereby the tax is to continue to be collected. Requires a corporation to notify the comptroller when certain bonds are paid. Prohibits a tax imposed under this section from being collected after the last day of the first calendar quarter beginning after the date of notification to the comptroller.

(i-3) Sets forth the requirements of an election to adopt a sales and use tax for a limited time period and the ballot. Requires the governing body of the city to set an expiration date of the proposed tax to occur on the appropriate anniversary of the date of the tax. Sets forth the date of expiration for a sales and use tax. Sets forth notice requirements. Sets forth procedures for revenue collected after the expiration of the tax and requirements for extending or reimposing a tax under this section.

SECTION 6. Amends Article 5190.6, V.T.C.S., by adding Section 4C, as follows:

Sec. 4C. Requires the board of directors of a corporation created under Section 4A or 4B to submit a report to the comptroller by April 1 of each year. Sets forth the contents of the report. Sets forth procedures for failure to submit a report. Requires the comptroller to submit a report to the legislature no later than November 1 of each even-numbered year on the sales and use tax imposed under Sections 4A and 4B of this Act. Requires the comptroller to provide without charge a copy of the report.

SECTION 7. Repealer: Article 5190.6, Section 4B(n), V.T.C.S. (Development Corporation Act of 1979).

SECTION 8. Effective date: September 1, 1997.

SECTION 9. Emergency clause.