

SUBJECT: Extension of a sales and use tax for economic development corporations

COMMITTEE: Local Government Ways and Means — favorable, without amendment

VOTE: 7 ayes — Hill, Creighton, Elkins, C. Howard, Puente, Quintanilla, Villarreal

0 nays

WITNESSES: For — (*Registered, but did not testify:* John Kroll, Town of Little Elm)

Against —None

BACKGROUND: The Development Corporation Act, V.T.C.S., Art. 5190.6, allows cities to create nonprofit development corporations and impose a sales and use tax to promote economic development. Also, 4B corporations may be created to expand manufacturing and industrial facilities, transportation facilities, waste disposal facilities, sports facilities, and entertainment facilities. Currently, sales and use taxes may be imposed under sec. 4B for continuous purposes and limited durations or purposes.

DIGEST: HB 3268 would amend sec. 4B(e) of the Development Corporation Act, V.T.C.S., Art. 5190.6, to allow voters to vote on propositions that limited, extended, or reimposed the length of time a limited-purpose or limited-duration sales and use tax could be imposed.

The bill also would allow voters to vote on a proposition that limited the use of the sales and use tax for a specific project or changed the purposes of the project. The bill would allow a corporation created to perform a specific project to retain its corporate existence and perform other projects if approved by the voters of the city in an election called and held for that purpose.

The bill would take immediate effect if finally passed by a two-thirds record vote of the membership of each house. Otherwise, it would take effect September 1, 2007.

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**SUPPORTERS
SAY:**

HB 3268 would enhance and enforce local control and give communities additional flexibility in promoting economic development. It would allow voters and economic development corporations to continue to fund priority projects. The bill also would ensure that the continuation of a sales and use tax represented the true wishes of the community, as a tax could be continued only upon a vote by the community. The bill would allow each community to decide which economic development projects best suited their needs and how to finance those projects.

**OPPONENTS
SAY:**

No apparent opposition.