

BILL ANALYSIS

Senate Research Center
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S.B. 1264
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S/C on Emerging Technologies and Economic Dev.
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As Filed

AUTHOR'S / SPONSOR'S STATEMENT OF INTENT

Chapter 311 (Tax Increment Financing Act), Tax Code, authorizes municipalities and counties to create tax increment financing reinvestment zones to promote development or redevelopment of geographic areas. Currently, issuance of tax increment bonds or notes are the only loan option for reinvestment zones; however, the issuance of such obligations involves a significant expenditure of tax dollars.

As proposed, S.B. 1264 allows a local government to make loans to reinvestment zones in order to pay project costs for which the zone was created and on the terms agreed to by the contracting parties. S.B. 1264 requires a local government providing the loan to determine that the loan is beneficial and serves a public purpose. Such loans will be considered an authorized investment under Chapter 2256 (Public Funds Investment), Texas Government Code, and not be considered a tax increment bond or note. This bill will enable a local government with available funds to cooperate with reinvestment zones by providing project funds in an efficient and cost-effective manner without the significant expense to taxpayers of a public bond issue.

RULEMAKING AUTHORITY

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

SECTION BY SECTION ANALYSIS

SECTION 1. Amends Section 311.0123(e), Tax Code, to authorize the disbursement of the sales and use taxes from the tax increment fund (fund) under this section only for certain purposes, including to satisfy claims of holders of tax increment bonds, notes, or other obligations issued or incurred for the reinvestment zone (zone).

SECTION 2. Amends Section 311.014, Tax Code, by amending Subsections (b) and (d) and adding Subsection (e), as follows:

(b) Authorizes money to be disbursed from the fund for certain purposes, including to repay other obligations incurred for the zone.

(d) Makes a conforming change.

(e) Authorizes a taxing unit that levies taxes on real property in a zone to make a loan to the board of directors of the zone for deposit into the fund if the governing body of the taxing unit determines that the loan is beneficial to, and serves a public purpose of, the taxing unit. Provides that the loan is payable on the terms agreed to by the taxing unit, or an instrumentality of the taxing unit if applicable, and the board of directors of the zone. Provides that a loan under this subsection is not considered to be a tax increment bond or note under Section 311.015 (Tax Increment Bonds and Notes) and is considered to be an authorized investment under Chapter 2256 (Public Funds Investment), Government Code and an obligation incurred for the zone.

SECTION 3. Amends Section 311.017, Tax Code, to make conforming changes.

SECTION 4. Effective date: upon passage or September 1, 2007.