

SUBJECT: Expanding eligibility for 4B economic development corporations

COMMITTEE: Economic Development — favorable, without amendment

VOTE: 6 ayes — Oliveira, Yarbrough, Luna, Raymond, Seaman, Siebert

1 nay — Keffer

2 absent — Greenberg, Van de Putte

WITNESSES: For — James Folks, City of Mesquite; Steve Alexander

Against — Bruce Bishop; Molly Bishop

BACKGROUND
:
The Development Corporation Act of 1979 allows certain cities to levy up to a half-cent sales and use tax for certain economic development projects. Cities that are located in a county with a population greater than 750,000 or that have a population greater than 400,000 and are located in more than one county may establish 4B economic development corporations. Any sales and use taxes levied must be approved by the voters in the area.

Cities located in counties with a population greater than 1.1 million, with more than 40 incorporated municipalities, and whose sales and use tax rate does not exceed 7.75 percent also may levy up to a half-cent sales and use tax for qualified development projects, under a provision expiring September 1, 1997.

DIGEST: HB 777 would authorize 4B economic development corporations in cities in counties with a population of more than 1.1 million in which there are 29 or more incorporated municipalities, and would repeal the expiration date on this provision.

HB 777 would take immediate effect if finally approved by a two-thirds record vote of the membership in each house.

SUPPORTERS
SAY:

HB 777 would give the voters of Mesquite, Webster and Jersey Village the option to levy and a sales and use tax to undertake projects for economic development. It would not raise sales taxes but allow citizens the final say about whether and how tax money should be used for economic development purposes. In addition, HB 777 would make sure these cities had the opportunity to compete on a level playing field with other Texas cities for economic development projects.

If an economic development sales tax were approved by voters, cities would be able to promote and sustain economic growth with a voter-approved economic development sales tax for worthwhile projects. New businesses need accompanying infrastructure improvements to enhance the success of their operations.

HB 777 would not reduce state or local tax revenues because the city of Mesquite does not plan to purchase any new land that would be removed from local tax rolls.

OPPONENTS
SAY:

HB 777 is unnecessary because economic development is booming in Mesquite without any public subsidy. Local taxpayers do not need new tax burdens to fund private enterprises that are already attracted to the area. In addition, residents are against any tax increases and do not need the expense of an election to confirm this.

Furthermore, the bill would go too far by repealing the expiration date. These tax programs were not intended to go on forever but to help generate the business activity necessary to pull Texas communities out of economic doldrums. Those times have passed, and so should this provision.

The Texas Legislature is now grappling with a major overhaul of the tax system to more equitably distribute the burden of taxes. This is no time to consider yet another tax break proposal.

OTHER
OPPONENTS
SAY:

HB 777 could reduce the amount of property tax revenue collected by the state and local governments. Converting taxable property to public use through an economic development project would reduce the local tax rolls, thereby decreasing the amount of money going to local school districts.

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NOTES: The companion bill, SB 293 by Carona, passed the Senate on April 1 and was reported favorably by the House Economic Development Committee on April 22, making it eligible to be considered in lieu of HB 777.