

## **BILL ANALYSIS**

Senate Research Center

H.B. 2001  
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Economic Development  
5-15-97  
Engrossed

### **DIGEST**

Currently, the Texas Enterprise Zone Program (program) offers tax and other incentives to eligible businesses that locate in economically distressed areas. H.B. 2001 would make several changes to the program including making program benefits available for job retention, modifying the criteria used to designate "enterprise zones" and "enterprise projects," modifying the utility rate incentive, and expanding the list of items eligible for sales and other tax refunds. This bill would also authorize the Texas Department of Commerce to designate 65 enterprise projects during each of the the next two biennia.

### **PURPOSE**

As proposed, H.B. 2001 makes several changes to the Texas Enterprise Zone Program (program) including making program benefits available for job retention, modifying the criteria used to designate "enterprise zones" and "enterprise projects," modifying the utility rate incentive, and expanding the list of items eligible for sales and other tax refunds. Additionally, this bill authorizes the Texas Department of Commerce to designate 65 enterprise projects during each of the next two biennia.

### **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 Section 2303.052(d), Government Code, to require the Department of Commerce (department), on or before December 15, rather than December 1, of each year to submit to certain high government officials a report relating to enterprise zones.

SECTION 2. Amends Section 2303.0525(a), Government Code, to require the department, on or before December 15, rather than December 1, of each even-numbered year, to prepare a cost-benefit analysis of the enterprise zone program.

SECTION 3. Amends Sections 2303.104(b) and (c), Government Code, to prohibit at least three, rather than one, of the incentives summarized under Subsection (a)(3) from applying through the governmental entity or entities nominating the area as an enterprise zone. Requires at least two of the incentives summarized under Subsection (a)(3) to be financial incentives. Provides that this section does not prohibit a municipality or county from extending additional incentives for business enterprises in an enterprise zone by a written agreement, among other items.

SECTION 4. Amends Section 2303.401, Government Code, as follows:

Sec. 2303.401. New heading: DEFINITIONS. Defines "retained job." Makes conforming changes.

SECTION 5. Amends Section 2303.403, Government Code, to prohibit the department from designating more than 65 businesses as enterprise projects during the biennium beginning September 1, 1997 or September 1, 1999. Authorizes the department in its discretion to withhold up to five project slots from designation. Makes a conforming change.

SECTION 6. Amends Sections 2303.406(a) and (b), Government Code, to authorize the department to designate a business as an enterprise project only if the department determines that the business is a qualified business under Section 2303.402 that, among other conditions, has made a commitment to create or retain certain number of jobs dependant upon the population of the enterprise zone. Requires the department to establish a minimum scoring threshold that must be met by the qualified business applying for a project designation and make its designation decisions using a weighted scale in which 35, rather than 50, percent of the evaluation depends on the economic distress of the enterprise zone in which a proposed enterprise project is located, and the area within the enterprise zone where the project is located; 20 percent of the evaluation depends on the local public effort used for the project to achieve development and revitalization of the enterprise zone, rather than 25 percent of the evaluation depends on the evaluation criteria as determined by the department, which must include the level of cooperation and support the project applicant commits to the revitalization goals of the zone; 20, rather than 25, percent of the evaluation depends on the level of cooperation and support the project applicant commits to the revitalization goals of the zone; 10 percent of the evaluation depends on the amount of capital investment; and 15 percent of the evaluation depends on the type and wage level in relation to the prevailing wage for that occupation in the local labor market area of the jobs to be created or retained by the business. Makes conforming changes.

SECTION 7. Amends Section 2303.407, Government Code, to prohibit the number of new permanent jobs or retained jobs eligible to be included in a computation of a tax refund for an enterprise project from exceeding 500, rather than 625, or a number equal to 110 percent of the number of anticipated new permanent jobs or retained jobs specified in the application for designation of the business as an enterprise project under Section 2303.405, whichever is less.

SECTION 8. Amends Section 2303.511(b), Government Code, to authorize certain utility rates to be reduced up to but not more than five percent below the lowest rate allowable for that customer class, rather than five percent below the lowest rate offered to any customer located in the enterprise zone. Authorizes a qualified enterprise project or the governing body of the enterprise zone to petition the appropriate utility and the appropriate regulatory authority to receive a reduced rate under this section, and the regulatory authority may order that rates be reduced.

SECTION 9. Amends Sections 151.429(a) and (g), Tax Code, to provide that an enterprise project is eligible for a refund in the amount provided by this section of the taxes imposed by this chapter on purchase of, among other items, equipment or machinery sold to, repaired for, or rented by an enterprise project for use in an enterprise zone. Deletes text in reference to the Legislative Budget Board in Subsection (g).

SECTION 10. Amends Section 171.1015(g), Tax Code, to authorize only enterprise projects, rather than qualified businesses, that have been certified as eligible for a tax deduction under this section by the department to the comptroller to apply for the tax deduction. Makes a conforming change.

SECTION 11. Repealers: Section 2303.110(d), Government Code (Amending Boundaries) and Section 171.501, Tax Code (Refund for Job Creation in Enterprise Zone).

SECTION 12. (a) Prohibits an enterprise project designated under Chapter 2303, Government Code, after August 31, 1997, from receiving a tax refund under Section 151.429, Tax Code, as amended by this Act, or a tax reduction under Section 171.1015, Tax Code, before September 1, 1999.

(b) Prohibits an enterprise projected designated under Chapter 2303, Government Code, after August 31, 1999, from receiving a tax refund under Section 151.429, Tax Code, as amended by this Act, or a tax reduction under Section 171.1015, Tax Code, before September 1, 2001.

SECTION 13. Amends Section 151.429, Tax Code, by amending Subsection (h), and by adding Subsection (i), to require the owner of a qualified hotel project to receive a rebate, refund, or payment of 100 percent of, among other items, the mixed beverage taxes paid by permittees, as that term is defined by Section 183.001, located at the qualified hotel project that are payable to a county

or municipality under Section 183.051. Deletes text in reference to a certain tax rebate, refund, or payment to a qualified hotel project during the first 10 years after such qualified hotel project is open for initial occupancy. Requires the owner of a qualified hotel project to receive the rebate, refund, or payment under Subsection (h) for taxes paid or collected during the first 10 years after the date the project opens for initial occupancy. Makes conforming and nonsubstantive changes.

SECTION 14. Amends Chapter 151I, Tax Code, by adding Section 151.4295, as follows:

Sec. 151.4295. COLLECTION OF CERTAIN TAXES. Requires the comptroller to enter into an agreement with the owner of a qualified hotel project entitled to receive a rebate, refund, or payment under Section 151.429 under which the owner will collect those taxes as the comptroller's agent and retain the taxes. Sets forth required terms and conditions for the agreement made under Subsection (a). Requires the comptroller, after the comptroller enters into an agreement under Subsection (a), to issue to the owner of the qualified hotel project and to each owner of a business located in the qualified hotel project a certain certificate.

SECTION 15. Amends Section 2303.5055, Government Code, by adding Subsections (f) and (g), to authorize an agreement entered into under this section to provide that eligible taxable proceeds need not be paid to or collected by a governmental body, the tax assessor-collector of a government body, or the comptroller but may be paid to, collected by, or retained by the owner of a qualified hotel project; require the owner of a qualified hotel project to file periodic reports with the governmental body that include detailed information relating to the total amount of eligible taxable proceeds collected and retained by the owner during the reporting period; and require the owner to keep and retain records relating to the total amount of eligible taxable proceeds collected and retained by the owner. Authorizes a governmental body that enters into an agreement under this section to issue to each owner of a business located in a qualified hotel project a certificate that requires each owner to pay all eligible taxable proceeds directly to the owner of the qualified hotel project in lieu of the payment or remittance of the eligible taxable proceeds to the governmental body or the comptroller.

SECTION 16. Makes application of Section 151.429, Tax Code, and Section 2303.5055, Government Code, as amended by this Act, and Section 151.4295, Tax Code, as added by this Act, prospective.

SECTION 17. Effective date: September 1, 1997.

SECTION 18. Emergency clause.