

## **BILL ANALYSIS**

Senate Research Center  
76R2651 CLG-D

S.B. 1061  
By: Bivins  
Education  
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As Filed

### **DIGEST**

Currently, cities may create certain nonprofit entities, referred to as 4B corporations, without levying an economic development sales tax. The 4B corporations are created to administer local economic development sales tax funds. The 4B corporations may also exercise eminent domain with the approval of the governing body of the municipality, issue bonds, make secured and unsecured loans, and own, lease, and sell projects. Most cities create 4B corporations to administer a locally approved economic development sales tax, but at least two 4B corporations have been formed without passing the tax. These 4B corporations then lease property to other entities. School taxes are not collected on property leased by the 4B corporation to another entity. This bill would set forth provisions regarding ad valorem taxation of a certain leaseholder or other possessory interests in real property constituting a certain project of an industrial development corporation.

### **PURPOSE**

As proposed, S.B. 1061 subjects certain leaseholds or other possessory interests in real property constituting a certain project of an industrial development corporation to ad valorem taxation.

### **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 4B(k), Article 5190.6, V.T.C.S. (Development Corporation Act of 1979), to provide that a leasehold or other possessory interest in real property constituting a project (project) is subject to ad valorem taxation under Section 25.07(a), Tax Code, except for projects entered into by corporations before September 1, 1999, which are covered by provisions of this subsection governing ad valorem taxation or other possessory interests that were in effect on the date the agreement was executed. Deletes a provision regarding the inapplicability of certain sections to leaseholds. Makes nonsubstantive changes.

SECTION 2. Effective date: September 1, 1999.

SECTION 3. Emergency clause.