BILL ANALYSIS

Senate Research Center
79R10584 CLG-F

H.B. 2755
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S/C on Emerging Technologies & Economic Development
5/16/2005
Engrossed

AUTHOR'S/SPONSOR'S STATEMENT OF INTENT

Economic development corporations (EDCs), created by the Development Corporation Act of 1979, allow cities to collect sales and use taxes for the purpose of economic development. EDCs are particularly important for smaller cities that have a difficult time competing with larger cities when trying to attract new businesses to the community. Because of past abuses by some corporations, current law is restrictive as to how corporations can spend their revenue. These restrictions have negatively impacted small communities' abilities to expend funds to attract and maintain jobs.

H.B. 2755 broadens the function of 4B corporations that generate less than $50,000 in taxes per year by allowing proceeds to be spent on projects that are not limited to primary jobs. This legislation will allow eligible communities to fully capitalize on tax proceeds generated by 4B corporations. H.B. 2755 will help small communities and will still only allow 4B tax revenue to be spent toward relevant projects that provide economic development to the community.

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 4B(a)(2), Development Corporation Act of 1979 (Article 5190.6, V.T.C.S.), to redefine "project."

SECTION 2. Effective date: upon passage or September 1, 2005.