

## **BILL ANALYSIS**

Senate Research Center  
82R29810 ATP-F

C.S.H.B. 1560  
By: Scott (Hinojosa)  
Economic Development  
5/20/2011  
Committee Report (Substituted)

### **AUTHOR'S / SPONSOR'S STATEMENT OF INTENT**

C.S.H.B. 1560 amends current law relating to the enterprise zone program.

### **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 2303.003(7), Government Code, to redefine "qualified employee."

SECTION 2. Amends Section 2303.402(a), Government Code, as follows:

(a) Provides that a person is a qualified business if the Texas Economic Development Bank (bank), for the purpose of state benefits under this chapter, or the governing body of a municipality or county that nominates a project or activity of a qualified business for designation as an enterprise project (nominating body) of a project or activity of the person under this chapter, for purpose of local incentives, certifies that:

(1) the person is engaged in or has provided substantial commitment to initiate the active conduct of a trade or business in an enterprise zone, and at least 25 percent of the person's new permanent jobs, rather than 25 percent of the person's new employees, in the enterprise zone eligible for enterprise zone program benefits are held by residents of any enterprise zone in this state, or economically disadvantaged individuals;

(2) the person is engaged in or has provided substantial commitment to initiate the active conduct of a trade or business in an area of this state that does not qualify as an enterprise zone, and at least 35 percent of the person's new permanent jobs at the qualified business site eligible for enterprise zone program benefits are held by residents of any enterprise zone in this state, or individuals who are economically disadvantaged; or

(3) the person is engaged in or has provided substantial commitment to initiate the active conduct of a trade or business in an enterprise zone, and at least 10 percent of the person's retained jobs in the enterprise zone eligible for enterprise zone program benefits are held by residents of that enterprise zone.

SECTION 3. Amends Section 2303.403, Government Code, as follows:

Sec. 2303.403. PROHIBITION ON QUALIFIED BUSINESS CERTIFICATION; LIMIT ON ENTERPRISE PROJECT DESIGNATIONS. (a) Creates this subsection from existing text. Makes no further changes.

(b) Creates this subsection from existing text. Prohibits the bank from designating the maximum number of project designations provided by this subsection in a single application round.

SECTION 4. Amends Section 2303.4052, Government Code, as follows:

Sec. 2303.4052. **REQUIRED INFORMATION FROM NOMINATING BODY.** Requires the nominating body, before nominating the project or activity of a qualified business for designation as an enterprise project, to submit to the bank:

- (1) Makes no changes to this subdivision;
- (2) a certified copy of the minutes, rather than a transcript, of all public hearings conducted with respect to local incentives available to qualified businesses within the jurisdiction of the governmental entity nominating the project or activity, regardless of whether those businesses are located in an enterprise zone; and
- (3)-(5) Makes no changes to these subdivisions.

SECTION 5. Amends Sections 2303.406(b) and (g), Government Code, as follows:

(b) Deletes existing text providing that this subsection does not apply to a qualified business located in a federally designated zone, as described by Section 2303.101(2), which will receive priority designation in allocating the number of enterprise projects allowed statewide per biennium as provided by Section 2303.403.

(g) Authorizes the bank to lower the designation level of a proposed project or activity nominated for enterprise project designation or split a proposed project or activity nominated for that designation, based on the number of projected new permanent jobs or retained jobs if there are fewer designations available than applications received or to further the economic interests of the state. Authorizes the bank, if an enterprise project designation is split between two or more projects or activities, to determine how to proportionally allocate state benefits among the projects or activities. Makes nonsubstantive changes.

SECTION 6. Amends Section 2303.504, Government Code, as follows:

Sec. 2303.504. New heading: **STATE TAX REFUNDS; REPORT.** (a) Deletes existing text entitling an enterprise project, subject to Section 2303.516, to a franchise tax credit under Subchapter Q-1, Chapter 171, Tax Code. Makes nonsubstantive changes.

(b) Requires that three percent of the amount of the tax benefit, at the time of receipt of any tax benefit available as a result of participating in the enterprise zone program, including a state sales and use tax refund, rather than including a state sales and use tax refund or franchise tax credit, be transferred to the Texas economic development bank fund under Subchapter B (Creation and Operation of Bank; Texas Economic Development Bank Fund), Chapter 489 (Texas Economic Development Bank), to defray the cost of administering this chapter.

(c) Requires the comptroller of public accounts (comptroller), not later than the 60th day after the last day of each fiscal year, to report to the bank the statewide total of actual jobs created, actual jobs retained, and the tax refunds, rather than tax refunds and credits, made under this section during that fiscal year.

SECTION 7. Amends Section 2303.516(b), Government Code, to authorize the comptroller to determine that the business or project is not entitled to a refund of state taxes, rather than a refund or credit of state taxes, under Section 2303.504 if the comptroller makes certain findings.

SECTION 8. Repealers: Sections 2303.109(b) (authorizing an area designated by the federal government as a renewal community, a federal empowerment zone, or a federal enterprise

community to be designated as an enterprise zone without further qualification for not longer than the period permitted for the respective designation by federal law) and 2303.406(e) (authorizing the office to, during any biennium, designate multiple concurrent enterprise projects to a qualified business located at a qualified business site), Government Code.

SECTION 9. Provides that the changes in law made by this Act to Section 2303.402, Government Code, apply only to an application for a designation of an enterprise project under the enterprise zone program under Chapter 2303, Government Code, as amended by this Act, filed or pending on or after September 1, 2011. Provides that an application for designation of an enterprise project under the enterprise zone program granted before September 1, 2011, is governed by the law in effect on the date the application was granted, and the former law is continued in effect for that purpose.

SECTION 10. Effective date: September 1, 2011.