1   AN ACT

2   relating to the deposit of municipal sales and use taxes into a tax

3   increment fund.

4   BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF TEXAS:

5   SECTION 1. Chapter 311, Tax Code, is amended by adding

6   Section 311.0123 to read as follows:

7   Sec. 311.0123. SALES TAX INCREMENT. (a) In this section,

8   "sales tax base" for a reinvestment zone means the amount of

9   municipal sales and use taxes attributable to the zone for the year

10   in which the zone was designated under this chapter.

11   (b) The governing body of a municipality may determine, in

12   an ordinance designating an area as a reinvestment zone or in an

13   ordinance adopted subsequent to the designation of a zone, the

14   portion or amount of tax increment generated from municipal sales

15   and use taxes attributable to the zone, above the sales tax base, to

16   be deposited into the tax increment fund. Nothing in this section

17   requires a municipality to contribute sales tax increment into a

18   tax increment fund.

19   (c) Before the issuance of a bond, note, or other obligation

20   under this chapter that pledges the payments into the tax increment

21   fund under Subsection (b), the governing body of a municipality may

22   enter into an agreement, under Subchapter E, Chapter 271, Local

23   Government Code, to authorize and direct the comptroller to:

24   (1) withhold   from   any   payment   to   which   the

1   municipality may be entitled the amount of the payment into the tax

2   increment fund under Subsection (b);

3   (2)   deposit that amount into the tax increment fund;

4   and

5   (3)   continue   withholding and making additional

6   payments into the tax increment fund until an amount sufficient to

7   satisfy the amount due has been met.

8   (d)   A local government corporation created under Chapter

9   431, Transportation Code, that has contracted with a reinvestment

10   zone and a municipality under Section 311.010(f) may be a party to

11   an agreement under Subsection (c) and the agreement may provide for

12   payments to be made to a paying agent of the local government

13   corporation.

14   (e)   The sales and use taxes to be deposited into the tax

15   increment fund under this section may be disbursed from the fund

16   only to:

17   (1)   satisfy claims of holders of tax increment bonds,

18   notes, or other obligations issued for the reinvestment zone;

19   (2)   pay project costs for the zone; and

20   (3)   make payments in accordance with an agreement made

21   under Section 311.010(b) dedicating revenue from the tax increment

22   fund.

23   SECTION 2. Section 311.015, Tax Code, is amended by adding

24   Subsection (i-1) to read as follows:

25   (i-1) A municipality's obligation to deposit sales and use

26   taxes into the tax increment fund is not a general obligation of the

27   municipality. An obligation to make payments from sales and use

1   taxes under Section 311.0123 does not give rise to a charge against

2   the general credit or taxing powers of the municipality and is not

3   payable except as provided by this chapter. A tax increment bond or

4   note issued under this chapter that pledges payments made under

5   Section 311.0123 must state the restrictions of this subsection on

6   its face.

7   SECTION 3. This Act takes effect immediately if it receives

8   a vote of two-thirds of all the members elected to each house, as

9   provided by Section 39, Article III, Texas Constitution. If this

10   Act does not receive the vote necessary for immediate effect, this

11   Act takes effect September 1, 2005.

_____
President of the Senate

_____
Speaker of the House

I hereby certify that S.B. No. 1199 passed the Senate on May 3, 2005, by the following vote: Yeas 31, Nays 0._____

_____
Secretary of the Senate

I hereby certify that S.B. No. 1199 passed the House on May 13, 2005, by the following vote: Yeas 142, Nays 0, two present not voting._____

_____
Chief Clerk of the House

Approved:

__20 MAY 05__
Date

Rick Perry
Governor

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