

Dear Citizens:

As your Mayor, I have made a commitment to share accurate information good or bad as soon as possible. I have also made a commitment to dispel any information that maybe erroneous, false, misleading or just plain wrong that may be spreading about our community. I call this my myth buster initiative. I have a myth buster regarding the recent bad news of three businesses' decision to leave Corsicana. In several social network postings and certain social gatherings, citizens have opined that the City of Corsicana's ability to recruit and retain business is hampered by the fact that the City does not have 4A or 4B tax.

In 1989, the Texas legislature recognized that cities and counties in Texas needed to be able to attract employers by providing certain incentives. They adopted a set of statutes that allowed local voters to choose to dedicate a portion of the sales tax revenue to economic development incentives. This authority became popularly referred to as the Section 4A economic development sales tax. The proceeds of the Section 4A sales tax are dedicated by statute to economic development projects to primarily promote new and expanded industrial and manufacturing activities. The Section 4A tax was generally available to cities that were located within a county of fewer than 500,000 and had room within the local sales tax cap to adopt an additional one-half cent sales tax. Also, in the 1991 Legislative Session, the Legislature authorized a new type of sales tax, a Section 4B sales tax. This legislation authorized a one-half cent sales tax to be used by certain cities to promote a wide range of civic and commercial projects. The popularity of the Section 4B sales tax led the Texas Legislature in 1993 to broaden its availability to any city that was eligible to adopt a Section 4A sales tax. In other words, most cities in a county of less than 500,000 could adopt either the Section 4A or the Section 4B sales tax if they had room in their local sales tax. More than 558 cities have levied an economic development sales tax. Of these cities, 115 have adopted a Section 4A economic development sales tax, 339 cities have adopted a Section 4B economic development sales tax, and 104 cities have adopted both a Section 4A and a Section 4B sales tax.

The State of Texas sales tax is capped at 8.25 percent on all taxable goods purchased. The state keeps 6.25 percent and the "local government" collects 2 percent. In our case, the City of Corsicana collects 1.5 percent and Navarro County collects one half of one percent. In 1967, the voters of the City of Corsicana adopted a one percent sales and use tax. There was an additional one percent tax available to be collected, so an election was held on November 3, 1987 in which the voters of Navarro County approved a designation of a half percent sales and use tax to be granted to the County for property tax reduction. The City of Corsicana then held an election on May 5, 1990 in which the voters designated one half of one percent for property tax relief. The citizens of Corsicana had already made the decision to designate the sales tax for tax relief at the same time 4A was made available and before 4B was available. **A city may not adopt a sales tax rate that would result in a combined rate of all local sales taxes that would exceed two percent.** So, neither 4A nor 4B is available.

The City recognized several years ago that the 4A and 4B funding would not be available for recruiting. The decision was made to use other methods to encourage development. The City currently spends on an annual basis \$1,831,192 in economic development incentives, **not including tax abatements.** These expenditures include:

Established TIF Zone and associated improvements	\$515,739
Development Agreement within TIF Zone	\$412,465
380 Agreement with the Industrial Foundation	\$593,410
Economic development budget	<u>\$309,578</u>
Total	\$1,831,192

One half of one percent of the collected sales tax would be \$1,665,665. The city is actually spending \$165,527 more on economic development than the one half cent 4A/4B tax would generate. The fact that the City does not have 4A/4B had no impact on the three companies' recent decision.

It is a fact that businesses looking to relocate or expand read the Corsicana Daily Sun and Facebook. Site selectors for businesses, including retail and industrial, that are considering cities for expansion and relocation perform preliminary research online. The attitudes of the city officials and the citizens of the city are presented online through social networks and the news media. These are critical factors used by companies in making the decision on whether or not to move to the next level of consideration.

I hope with all the work to be done, we can stop finger pointing and spreading false information. We need to present a positive image for the businesses that are already being recruited to take the place of the ones lost. I continue to be proud to be your Mayor.

Warmest Regards,

Chuck McClanahan