

BILL ANALYSIS

H.B. 157
By: Larson
Ways & Means
Committee Report (Unamended)

BACKGROUND AND PURPOSE

Currently, there is a maximum rate at which all combined local sales and use taxes may be imposed. In addition, the law limits the rates at which municipalities in Texas may impose sales and use taxes for, among other purposes, street maintenance, venue projects, property tax relief, economic development, and crime control and prevention. Interested parties have raised concerns that such restrictions, in conjunction with the maximum combined rate, limit municipalities' fiscal flexibility in responding to local needs. H.B. 157 seeks to address such concerns by removing certain restrictions on municipal sales and use tax rates.

CRIMINAL JUSTICE IMPACT

It is the committee's opinion that this bill does not expressly create a criminal offense, increase the punishment for an existing criminal offense or category of offenses, or change the eligibility of a person for community supervision, parole, or mandatory supervision.

RULEMAKING AUTHORITY

It is the committee's opinion that this bill does not expressly grant any additional rulemaking authority to a state officer, department, agency, or institution.

ANALYSIS

H.B. 157 amends the Local Government Code and the Tax Code to authorize the rate of a sales and use tax imposed by a municipality under the Municipal Sales and Use Tax Act, an additional sales and use tax adopted by a municipality under that act, and sales and use taxes that may be imposed by a municipality to finance an approved venue project, to finance a crime control and prevention district, for the benefit of a Type A corporation, for the benefit of a Type B corporation, or for street maintenance to be at any rate that is an increment of one-eighth of one percent, rather than at a rate at specified increments of one percent, that the municipality determines is appropriate, and that would not result in a combined rate that exceeds a maximum combined rate of two percent at any location in the municipality when added to the rates of all other sales and use taxes imposed by the municipality and other political subdivisions of the state having territory in the municipality.

H.B. 157 revises provisions authorizing increases and reductions in the rates of a municipal sales and use tax imposed to finance an approved venue project, for the benefit of a Type A corporation, to finance a crime control and prevention district, or for street maintenance, as applicable, to conform those provisions with the bill's authorization for the rates of such taxes to be at any rate that is an increment of one-eighth of one percent contingent on the rate not exceeding a maximum combined rate of two percent when added to the rates of all other sales and use taxes imposed by the municipality and other political subdivisions of the state having territory in the municipality.

H.B. 157 revises provisions governing the ballot language to be used in an election to adopt a

municipal sales and use tax for the benefit of a Type A corporation or for street maintenance, as applicable, to conform the ballot language with the bill's provisions.

H.B. 157 amends the Local Government Code to specify that the election requirement for a sales and use tax that a municipality is authorized to adopt for the benefit of a Type B corporation is satisfied, and another election is not required, if the rate of the tax does not exceed one-half of one percent. The bill includes the sales and use tax imposed by a municipality or county to finance an approved venue project in computing a combined sales and use tax rate for purposes of the limitation on the maximum combined sales and use tax rate of political subdivisions.

H.B. 157 amends the Tax Code to expressly authorize a municipality to reduce or increase the rate of a sales and use tax adopted under the Municipal Sales and Use Tax Act at an election in which a majority of the qualified voters of the municipality approve the reduction or increase in the rate. The bill specifies that any tax rate increase or decrease adopted under the Municipal Sales and Use Tax Act takes effect on the first day of the first calendar quarter occurring after the expiration of the first complete calendar quarter occurring after the date on which the comptroller of public accounts receives a notice of the action. The bill requires the ballot in an election to reduce or increase a municipal sales and use tax to be printed to provide for voting for or against the proposition using specified language.

EFFECTIVE DATE

September 1, 2015.