

- SUBJECT:** Revising sales tax provisions for municipal crime control districts
- COMMITTEE:** Local Government Ways and Means — favorable, without amendment
- VOTE:** 6 ayes — Hill, Creighton, Elkins, Puente, Quintanilla, Villarreal
0 nays
1 absent — C. Howard
- WITNESSES:** For — Mayor Henry Garrett, City of Corpus Christi; Domingo Ibarra, Corpus Christi Police Officers' Association; Bryan P. Smith, City of Corpus Christi, Corpus Christi Police Department (*Registered, but did not testify*: T.J. Patterson, Jr., City of Fort Worth; Andrew Smith, City of San Antonio)

Against — None
- BACKGROUND:** Local Government Code, ch. 363 – the Crime Control and Prevention District Act – allows a governing body of a county with a population larger than 130,000 or a municipality partially or wholly located in a county with a population larger than 5,000 to create a crime control and prevention district. The district is allowed to finance administrative and capital costs for:
- police and law enforcement related programs;
 - community-related crime prevention strategies;
 - treatment and prevention programs;
 - court and prosecution services; and
 - additional jails.
- Because the districts originally were created for counties, subsequent changes to the statute have not consistently applied all the changes necessary for municipally created districts to properly administer the program. Three sections in the chapter governing municipality-created districts tie certain limitations to the County Sales and Use Tax Act (Tax Code, ch. 323). Those sections cover rate setting (Local Government Code, sec. 363.055), revenue expenditure (Local Government Code, sec.

363.154), and outstanding debt remaining upon the dissolution of the district (Local Government Code, sec. 363.302).

DIGEST:

HB 3417 would create Tax Code, sec. 321.108, establishing specific provisions for a municipal crime control and prevention district tax. The three sections in the Local Government Code that currently reference the County Sales and Use Tax Act would instead refer to this new section.

A municipality that created a crime control and prevention district through an election required under Local Government Code, ch. 363, would adopt a sales and use tax within the district's borders to finance its operation. Voters would consider a proposition creating the district and imposing the tax at the same election.

Rate changes. The district's board could, by order, decrease the tax in increments of one-eighth of one percent. The rate also could be reduced if voters approved a decrease in increments of one-eighth of one percent at an election requested by the municipality's governing body.

If a majority of voters approved a proposition ordered by the district's board to increase the tax, the rate could be increased in increments of one-eighth of one percent up to one-half percent.

Once the comptroller received notice of any change in the tax rate and one full calendar quarter had passed, any change in the tax rate would take effect on the first day of the successive calendar quarter. If the comptroller needed more time to implement reporting and collecting procedures and had notified the board's president in writing within 10 days of receipt of the change of the rate, the comptroller could delay implementing the rate change for one additional calendar quarter. In such a scenario, the rate change would go into effect on the first day of the next calendar quarter following the elapsed quarter.

Collection procedures. The comptroller would be required to remit money that accrued under the tax to the district, unless it encompassed the entire municipality, in which case money would be sent to the municipality's governing body. In the latter case, a municipality would be required to forward the tax revenue to the district within 10 days of receipt. All other provisions governing items eligible for taxation and allocation and reporting procedures would be consistent with those applicable for other sales and use taxes.

The amounts distributed to a crime control and prevention district would not be considered additional municipal sales and use tax revenue for the purpose of property tax reduction and calculating the municipal tax rate under Tax Code, sec. 26.041.

The comptroller and the governing body of the municipality would be authorized to adopt orders to administer this section.

Effective date. The bill would take immediate effect if finally passed by a two-thirds record vote of the membership of each house. Otherwise, it would take effect September 1, 2007. The comptroller would be required to implement any change necessitated by this bill on or before January 1, 2008.