

- SUBJECT:** Authorizing emergency services districts to establish sales tax boundaries
- COMMITTEE:** Local Government Ways and Means — favorable, without amendment
- VOTE:** 5 ayes — Hill, Creighton, Puente, Quintanilla, Villarreal
2 nays — Elkins, C. Howard
- WITNESSES:** For — Gary M. Cadenhead, Travis County Emergency Services District #6; Ken Campbell, Texas State Association of Fire and Emergency Districts; Brad Ellis, Travis County Emergency Services District #6; James Linardos, Travis County Emergency Services District #6, Hudson Bend Fire Department; Don Smith, Travis County Emergency Services District #6, Williamson County Emergency Services District #8 (*Registered, but did not testify*: John Carlton, Texas State Association of Fire and Emergency Districts; Jim DeWitt, Travis County Emergency Services District #6; Mike Howe, Texas State Association of Fire and Emergency Districts; Howard L. Katz, Texas State Association of Fire and Emergency Districts; Tricia Davis)

Against — None
- BACKGROUND:** Health and Safety Code, sec. 775.0751 allows an emergency services district (ESD) to adopt a sales and use tax between one-eighth of 1 percent to 2 percent, as long as the rate is an increment of one-eighth of 1 percent. The district is authorized to change the rate or abolish the tax altogether. A district is barred from adopting a tax or increasing its rate if the action would create a sales and use tax, as combined with those imposed by other political subdivisions, that exceeds 2 percent in any area of the district.

Health and Safety Code, sec. 775.0752, provides for an election to authorize the emergency services district sales and use tax. An election is triggered upon the successful petition of 5 percent of the district's registered voters.
- DIGEST:** HB 3870 would amend Health and Safety Code, sec. 775.0751 to allow an emergency services district to adopt, increase the rate, or abolish a sales and use tax, even if it would have been precluded from such an action because its result would have created a sales and use tax in certain portions

of the district that exceeded 2 percent. In such an instance, the district would be authorized to call an election that would apply only to those areas within the district in which imposition of an additional tax would not surpass the 2 percent cap.

If another election held on the same day were to result in a sales and use tax that would surpass the 2 percent cap, this sales and use tax would not be applied in any area of the district in which such a result would occur.

This bill would take effect September 1, 2007.

**SUPPORTERS
SAY:**

HB 3870 would allow an emergency services district a much-needed form of revenue, especially in certain unincorporated areas that have a limited tax base. The Legislature has seen fit, both during this session and previous sessions, to allow governing bodies to draw specific taxing districts to meet needs such as government services or economic development. This authority should be extended to an emergency services district. No need is as vital as one that saves the lives of our citizens.

Aside from basic fire protection, ESDs deal with water rescues, disasters, homeland security services, building inspection and approval and other fire safety and prevention measures. Costs for these services have escalated beyond current means. Population growth has created a greater need for services and fire stations, and the cost of a new fire station is quickly approaching \$2 million because of increased infrastructure and construction expenses. Unfortunately, due to current limitations, if a sales and use tax in any part of an ESD has reached the 2 percent cap, the entire district is precluded from seeking a sales and use tax. For some districts, especially those that mainly cover an unincorporated area with no tax base aside from ad valorem taxes, this has been a significant burden.

HB 3870 would allow an ESD to draw its own borders to impose sales and use tax. The bill still would require an election, ensuring local control over the decision to impose additional taxes. It would not create an inequity between those whose sales and use taxes are going to the ESD and those who are paying a municipal sales tax because some of the money going to the municipal sales tax typically is allocated to the ESD. Although it would create an additional taxing entity and create new borders for certain taxes, the Comptroller's Office currently is developing technology that will be able to precisely define districts with little confusion.

OPPONENTS
SAY:

This bill would add another layer of complexity to an already complicated taxing system. It would cause confusion for business owners and consumers, who could conceivably see different sales and use tax rates on the same street. This would place another cumbersome requirement on business owners, who already have difficulty determining what rate of sales tax to impose. It also could create a competitive disadvantage to those business owners on the border of another district with lower tax rates. Additionally, it would increase the burden on taxpayers and assess a tax that would exclusively benefit those within the district on those who might not live in the district and benefit from any additional services.