

SUBJECT:           Allowing fire and crime control districts to tax sales of electricity and gas

COMMITTEE:       Ways and Means — committee substitute recommended

VOTE:             9 ayes — Oliveira, Otto, Bohac, Hartnett, Hilderbran, P. King, Paxton,  
Peña, Taylor

0 nays

1 present not voting — C. Howard

1 absent — Villarreal

SENATE VOTE:     On final passage, April 9 — 31-0, on Local and Uncontested Calendar

WITNESSES:       *(On House companion bill, HB 2879:)*

For — Eric Metzger, Town of Flower Mound; *(Registered, but did not testify: Julie Acevedo, City of Baytown; Rudy Garza, City of Corpus Christi; Diana Ortiz, City of Grand Prairie; Christine Rodriguez, City of Corinth; Charles Springer, Town of Flower Mound; Fred Werner)*

Against — None

BACKGROUND:     Under Tax Code, sec. 321.3022, the comptroller, upon request, must provide a municipality information on the amount of tax paid to the municipality during the preceding or current calendar year by each person doing business in the area that is defined by the municipality that is part of:

- an interlocal agreement;
- a tax abatement agreement;
- a reinvestment zone;
- a tax increment financing district;
- a revenue sharing agreement;
- an enterprise zone;
- a neighborhood empowerment zone;
- any other similar agreement, zone, or district; or
- any area defined by the municipality for the purpose of economic forecasting.

DIGEST:

CSSB 792 would amend Tax Code, ch. 321, adding sec. 321.1055 to allow a fire control, prevention, and emergency medical services district or a crime control and prevention district that was located in all or part of a municipality that imposed a tax on the residential use of gas and electricity to impose an additional tax on gas and electricity for residential use.

The board of directors of a fire or crime control district would be allowed by majority vote of the board members in a public hearing to impose the tax, suspend, or reimpose it. The district would be required send a copy of the order or resolution to the comptroller and each affected gas or electric company, and publish notice of the order or resolution in a newspaper of general circulation in the district.

If the residential use of gas and electricity ceased to be taxable in the municipality in which a district was located, the residential use of gas and electricity would not be taxable by the district. Secs. 321.201 and 321.204, which govern the computation of municipal taxes on gas and electricity for residential use, would apply to the computation of fire and crime control districts as well.

CSSB 792 would amend sec. 321.3022 to direct the comptroller, upon request, to provide a municipality information on the amount of tax paid to the municipality during the preceding or current calendar year by each person doing business in the area that was defined by the municipality that was part of a crime or fire control district.

The bill would take effect on January 1, 2010.

SUPPORTERS  
SAY:

SB 792 would correct a glitch in the Tax Code that prevents sales taxes on the residential use of electricity and gas from being collected by fire and crime control districts. SB 792 would not impose new sales taxes on any group or district. Instead the bill would allow a voter-approved district to collect the taxes the voters approved when the district was created.

While SB 792 would result in a minimal increase of sales taxes on utility bills, the increase would be negligible at best. Utility bills already are subject to general sales taxes. Furthermore, most fire and crime control districts impose a sales tax of only between one-eighth and one-fourth of a cent. Few consumers would feel the increase. However, the efforts of law

enforcement, fire protection, and emergency medical services could greatly benefit from this much-needed funding.

**OPPONENTS  
SAY:**

Utility bills are high enough. Texans need access to residential electricity and gas. Increasing the applicable sales tax on utilities would mean Texans would have a harder time affording other necessities. Further, the sales tax is regressive — it hits the poor harder than it does other economic groups. The Legislature should adopt a more neutral revenue source for funding these districts.

**NOTES:**

The committee substitute differs from the Senate version of the bill in that it would take effect on January 1, 2010.

The companion bill, HB 2879 by Ortiz, was heard and left pending by the Ways and Means Committee on April 20.