

BILL ANALYSIS

Senate Research Center

H.B. 1543
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Engrossed

DIGEST AND PURPOSE

Currently, counties and municipalities are authorized to create crime control and prevention districts, subject to voter approval. However, since the original statute authorizing such districts was passed only for counties, and that for municipalities added later, the statute continues to use Section 323.105, Tax Code, for both municipal and county districts. This section of the Tax Code specifies sales taxes by counties. Since city sales tax is somewhat different from county sales tax, H.B. 1543, as proposed, creates a new Section 321.106, Tax Code, specifying the establishment of municipal crime control and prevention district and the creation of the tax as a municipal sales tax to finance said district.

RULEMAKING AUTHORITY

Rulemaking authority is expressly granted to the comptroller in SECTION 2, (Section 321.106, Tax Code) of this bill.

SECTION BY SECTION ANALYSIS

SECTION 1. Amends Sections 363.055(a) and (c), Local Government Code, as follows:

- (a) Sets forth requirements for the proposed rate for the district sales and use tax imposed under Chapter 321B (Imposition of Sales and Use Taxes by Municipalities) or 323B ((Imposition of Sales and Use Taxes by Counties), Tax Code.
- (c) Requires a municipality that creates a district to adopt a sales and use tax under Section 321.106 (rather than Section 323.105), Tax Code, for financing the operation of the district. Deletes text regarding a county under that section.

SECTION 2. Amends Chapter 321B, Tax Code, by adding Section 321.106, as follows:

Sec. 321.106. MUNICIPAL CRIME CONTROL AND PREVENTION DISTRICT TAX.

(a) Requires a municipality in which a crime control and prevention district is established, subject to an election held in accordance with Chapter 363 (Crime Control and Prevention Districts), Local Government Code, to adopt a sales and use tax in the area of the district for the purpose of financing the operation of the crime control and prevention district. Authorizes the revenue from the tax to be used only for the purpose of financing the operation of the crime control and prevention district. Requires the proposition for adopting a tax under this section and the proposition for creation of a crime control and prevention district to be submitted at the same election.

(b) Authorizes a tax adopted for a district under this section for financing the operation of the district to be decreased in increments of one-eighth of one percent by order of the board of directors of the district.

(c) Authorizes the governing body of the municipality that proposed the creation of the crime control and prevention district to call an election on the question of decreasing the

tax rate in certain increments under certain conditions. Authorizes the governing body to dedicate a portion of the tax for certain purposes under certain conditions. Sets forth guidelines for the wording on the ballot.

(d) Authorizes the rate of a tax adopted for a district under this section to be increased in certain increments, not to exceed a certain total tax rate, for financing the operation of the crime control and prevention district, by order of the board of directors of the crime control and prevention district if approved by a majority of the qualified voters voting at an election called by the board and held in the district on the question of increasing the tax rate. Sets forth guidelines for the wording of the ballot at such an election. Sets forth guidelines for the date of an implementation of a rate change.

(e) Sets forth guidelines regarding the comptroller's remittance of amounts collected at the rate imposed under this section. Prohibits retailers from being required to use the allocation and reporting procedures in the collection of taxes under this section different from the procedures that retailers use in the collection of other sales and use taxes under this chapter. Provides that an item, transaction, or service that is taxable in a municipality under a sales or use tax authorized by another section of this chapter is taxable under this section and that an item, transaction, or service that is not taxable in a municipality under a sales or use tax authorized by another section of this chapter is not taxable under this section.

(f) Provides that, if, in a municipality where a crime control and prevention district is composed of the whole municipality, a municipal sales and use tax or a municipal sales and use tax rate increase for the purpose of financing a crime control and prevention district is approved, the municipality is responsible for distributing to the district that portion of the municipal sales and use tax revenue received from the comptroller that is to be used for the purposes of financing the crime control and prevention district. Requires the municipality to make the distribution in the proportion that the crime control and prevention portion of the tax rate bears to the total sales and use tax rate of the municipality by a certain date. Provides that the amounts distributed to a crime control and prevention district are not considered to be sales and use tax revenue for the purpose of property tax reduction and computation of the municipal tax rate under Section 26.041.

(g) Provides that, for purposes of the tax imposed under this section, a reference in this chapter to the municipality as the territory in which the tax or an incident of the tax applies means only the territory located in the crime control and prevention district, if that district is composed of an area less than an entire municipality.

(h) Authorizes the comptroller to adopt rules and authorizes the governing body of the municipality to adopt orders to administer this section.

SECTION 3. (a) Provides that, in a crime control and prevention district created by a municipality before the effective date of this Act, an item, transaction, or service that is taxable in the municipality under a sales or use tax authorized by Chapter 321, Tax Code, is taxable under Section 321.106, Tax Code, as added by this Act, for the district, and an item, transaction, or service that is not taxable in the municipality under a sales or use tax authorized by Chapter 321, Tax Code, is not taxable under Section 321.106, Tax Code, as added by this Act, for the district.

(b) Requires the comptroller to implement any change necessary as a result of the change in law made by this Act on or before January 1, 2002.

SECTION 4. Effective date: upon passage or September 1, 2001.