

BILL ANALYSIS

Senate Research Center

H.B. 602
By: Zbranek (Bernsen)
Intergovernmental Relations
5/6/2001
Engrossed

DIGEST AND PURPOSE

Under current law, a commissioner's court of a county may call for an election to create a hospital district after being petitioned by the voters affected by the proposed district. A property tax may be levied to service the district's debts and pay district expenses. To lower property taxes, the district is authorized to levy a sales and use tax, but it must account for those taxes in calculating the district's effective and rollback tax rates. An already burdened taxpayer in a small county would potentially not favor an election to create a hospital district that would include the imposition of another property tax without an adjustment to the district's effective and rollback tax rates. H.B. 602 authorizes a small county with a population of 75,000 or less to create a hospital district under general law by the petition and election process by imposition of a sales and use tax only to service the district's debt and pay for the district's expenses.

RULEMAKING AUTHORITY

This bill does not expressly grant any additional rulemaking authority to a state officer, institution, or agency.

SECTION BY SECTION ANALYSIS

SECTION 1. Amends the heading to Chapter 285E, Health and Safety Code, to read as follows:

SUBCHAPTER E. SALES AND USE TAX TO LOWER AD VALOREM TAXES

SECTION 2. Amends Section 285.061(a), Health and Safety Code, to authorize a hospital district that is authorized to impose ad valorem taxes to adopt a sales and use tax to lower the district's ad valorem taxes at an election held as provided by this subchapter. Makes conforming and nonsubstantive changes.

SECTION 3. Amends Section 285.062(c), Health and Safety Code, to require the ballot at an election to adopt the tax to be prepared to permit voting for or against the proposition: "The adoption of a local sales and use tax in (name of district) at the rate of (proposed tax rate) percent to be used to reduce the district property taxes."

SECTION 4. Amends Chapter 285, Health and Safety Code, by adding Subchapter L, as follows:

SUBCHAPTER L. SALES AND USE TAX TO RAISE REVENUE FOR DISTRICTS IN SMALL COUNTIES

Sec. 285.161. **TAX AUTHORIZED.** Sets forth guidelines regarding the imposition of a sales and use tax by the district.

Sec. 285.162. **TAX RATE; CHANGE IN RATE.** Sets forth guidelines regarding the tax rate and any changes in the tax rate.

Sec. 285.163. TAX ELECTION PROCEDURES. Sets forth guidelines regarding an election to adopt, abolish, or change the rate of the tax.

Sec. 285.164. ELECTION IN OTHER TAXING AUTHORITY. Defines “taxing authority.” Sets forth guidelines regarding circumstances under which a district or proposed district is included within the boundaries of another taxing authority.

Sec. 286.165. USE OF TAX. Authorizes the taxes imposed to be used for certain purposes.

Sec. 285.166. EFFECTIVE DATE. Sets forth guidelines regarding the effective date of the adoption or abolition of the tax or a change in the rate of the tax.

Sec. 285.167. COUNTY SALES AND USE TAX ACT APPLICABLE. Provides that, except to the extent that a provision of this chapter applies, Chapter 323, Tax Code, applies to the tax authorized by this chapter in the same manner as that chapter applies to the tax authorized by that chapter.

SECTION 5. Amends Section 286.022(a), Health and Safety Code, to require the petition prescribed by Section 286.021 to show: whether the district is to impose a property tax and the maximum tax rate to be voted on at the creation election, which is prohibited from exceeding 75 cents on the \$100 valuation of all taxable property in the district; and whether the district is to impose a sales and use tax under Subchapter I and the maximum tax rate to be voted on at the creation election, which is prohibited from exceeding the rate allowed under that subchapter. Makes nonsubstantive changes.

SECTION 6. Amends Sections 286.023(d) and (e), Health and Safety Code, as follows:

(d) Authorizes the commissioners court to grant a petition proposing creation of a hospital district that imposes a sales and use tax under Subchapter I only if all or a majority of the territory of the district is located in a county or counties each with a population of 75,000 or less.

(e) Requires the commissioners court, if a petition is granted, to order an election to confirm the district's creation and to authorize the levy of a tax not to exceed the maximum tax rate (rather than the amount) prescribed by the petition. Deletes text regarding \$100 of the taxable value of all taxable property in the district.

SECTION 7. Amends Section 286.026, Health and Safety Code, to set forth guidelines regarding a ballot for an election proposing to create a hospital district that imposes a property tax, a ballot for an election proposing to create a hospital district that imposes a sales and use tax under Subchapter I, and a ballot for an election proposing the issuance of bonds.

SECTION 8. Amends Section 286.101, Health and Safety Code, by adding Subsection (g) to require the territory added to the district, if a district imposes a sales and use tax under Subchapter I, to be located in a county or counties each with a population of 75,000 or less, and prohibits the addition of the territory from resulting in a combined tax rate by the hospital district and other political subdivisions of this state of more than two percent at any location in the district.

SECTION 9. Amends Sections 286.104(b) and (c), Health and Safety Code, to require the board, after the board finds that the district is dissolved, to perform certain functions. Authorizes the board to institute a suit to enforce payment of taxes and to foreclose liens to secure the payment of property taxes due the district.

SECTION 10. Amends Section 286.105, Health and Safety Code, as follows:

Sec. 286.105. New heading: RETURN OF SURPLUS PROPERTY TAX MONEY.

Makes conforming changes.

SECTION 11. Amends Section 286.124(b), Health and Safety Code, to make conforming changes.

SECTION 12. Amends the heading to Chapter 286H, Health and Safety Code, to read as follows:

SUBCHAPTER H. PROPERTY TAXES

SECTION 13. Amends Section 286.161, Health and Safety Code, as follows:

Sec. 286.161. New heading: TAX AUTHORIZED. Authorizes a majority of voters in a district or proposed district, at the creation election under Subchapter B or in conjunction with any other district election, to authorize the district to impose a property tax. Makes nonsubstantive changes.

SECTION 14. Amends Chapter 286, Health and Safety Code, by amending Subchapter I and adding Subchapter X, as follows:

SUBCHAPTER I. SALES AND USE TAXES FOR DISTRICTS IN SMALL COUNTIES

Sec. 286.171. TAX AUTHORIZED. Authorizes a majority of voters in a proposed district of which all or a majority of the territory is located in a county or counties each with a population of 75,000 or less to impose a sales and use tax if the imposition is authorized at the creation election under Subchapter B. Authorizes an election to authorize the imposition of a sales and use tax under this subchapter to be held only in conjunction with a creation election under Subchapter B.

Sec. 286.172. LIMITATION ON COMBINED TAX RATE; EFFECT ON ELECTIONS. Provides that an election to create a hospital district and to authorize the imposition of a sales and use tax under this subchapter, or an election to change the tax rate under Section 286.174, has no effect if as a result of the adoption of the sales and use tax or the change in the rate the combined rate of all sales and use taxes imposed by the district and other political subdivisions of this state having territory in the district would exceed two percent at any location in the district.

Sec. 286.173. ELECTION IN OTHER TAXING AUTHORITY. Defines “taxing authority.” Sets forth guidelines regarding circumstances under which a district or proposed district is included within the boundaries of another taxing authority. Provides that this section does not permit a taxing authority to impose taxes at differential rates within the authority’s territory.

Sec. 286.174. TAX RATE; CHANGE IN RATE. Sets forth guidelines regarding the tax rate and any change in the tax rate.

Sec. 286.175. USE OF TAX. Authorizes the taxes imposed to be used for certain purposes.

Sec. 285.176. EFFECTIVE DATE. Sets forth guidelines regarding the effective date of the adoption or abolition of the tax or a change in the rate of the tax.

Sec. 285.177. COUNTY SALES AND USE TAX ACT APPLICABLE. Provides that, except to the extent that a provision of this chapter applies, Chapter 323, Tax Code, applies to the tax authorized by this chapter in the same manner as that chapter applies to the tax authorized by that chapter.

SUBCHAPTER X. MISCELLANEOUS

Sec. 286.951. Redesignated from original Section 286.181. No changes in text.

SECTION 15. Amends Section 26.012(1), Tax Code, to redefine “additional sales and use tax.”

SECTION 16. Effective date: September 1, 2001.