

BILL ANALYSIS

Senate Research Center

C.S.H.B. 2
By: Pitts et al. (Williams)
Finance
4/28/2006
Committee Report (Substituted)

AUTHOR'S/SPONSOR'S STATEMENT OF INTENT

The Texas Supreme Court held in *Neeley v. West Orange-Cove Consolidated Independent School District* that the state school finance system relies on revenues derived from a tax that, in effect, is a state property tax prohibited by the Texas Constitution. The court required the legislature to correct the constitutional violation by June 1, 2006. C.S.H.B. 2 dedicates additional state revenue derived from increases in certain taxes to be placed in a property tax relief fund that may be appropriated only for a purpose that will result in a reduction of school district maintenance and operations tax rates to rates that are less than the rates in effect on January 1, 2006.

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. (a) Amends Subchapter G (Funds), Chapter 403 (Comptroller of Public Accounts), Government Code, by adding Section 403.109, as follows:

Sec. 403.109. PROPERTY TAX RELIEF FUND. (a) Provides that the property tax relief fund (fund) is a special fund in the state treasury outside the general revenue fund. Exempts the fund from the application of Sections 403.095 and 404.071. Requires interest and income from the deposit and investment of money in the fund to be allocated monthly to the fund.

(b) Authorizes money in the fund to be appropriated only for a purpose that will result in a reduction of school district maintenance and operations tax rates to rates that are less than the rates in effect for the 2005 tax year, until the state fiscal year beginning after the first tax year in which the average school district maintenance and operations tax rate is not more than \$1.00 per \$100 of taxable value.

(c) Authorizes certain appropriations for certain purposes beginning in the state fiscal year that begins after the first tax year in which the average school district maintenance and operations tax rate is not more than \$1.00 per \$100 of taxable value.

(d) Provides that beginning in the state fiscal year that begins after the first tax year in which the average school district maintenance and operations tax rate is not more than \$0.75 per \$100 of taxable value, notwithstanding Subsection (c) and subject to Subsection (e), any money remaining in the fund after a sufficient amount of money is appropriated in that state fiscal year to maintain an average school district maintenance and operations tax rate of \$0.75 per \$100 of taxable value may be appropriated only to the Texas Education Agency (TEA) for the purpose described by Subsection (c)(2).

(e) Requires the comptroller of public accounts (comptroller) to certify that the amount of money in the fund is sufficient to maintain an average school district maintenance and operations tax rate that is not more than \$0.75 per \$100 of

taxable value before any amount of money may be appropriated from this fund under Subsection (d).

(f) Requires reductions to be carried out so as not to increase the disparity in revenue yield between districts of varying property wealth per weighted student to the extent to which maintenance and operations tax rates are reduced using money appropriated from the fund.

(b) Makes application of this section contingent upon H.B. 3, H.B. 4, or H.B. 5, Acts of the 79th Legislature, 3rd Called Session, 2006, being enacted and becoming law.

SECTION 2. (a) Amends Subchapter I (Disposition of Revenue), Chapter 171 (Franchise Tax), Tax Code, by adding Section 171.4011, as follows:

Sec. 171.4011. ALLOCATION OF CERTAIN REVENUE TO PROPERTY TAX RELIEF FUND. (a) Requires the comptroller, notwithstanding Section 171.401, to deposit to the credit of the property tax relief fund under Section 403.109, Government Code, an amount of revenue calculated by a certain method, beginning with the state fiscal year that begins September 1, 2007, and for each state fiscal year thereafter.

(b) Requires the comptroller to consider the amount to be zero if the amount under Subsection (a) is less than zero.

(b) Effective date, this section: September 1, 2007, except as provided by Subsection (c).

(c) Makes application of this section contingent upon H.B. 3, Acts of the 79th Legislature, 3rd Called Session, 2006, being enacted and becoming law.

SECTION 3. (a) Amends Subchapter G (Disposition of Taxes), Chapter 152 (Taxes On Sale, Rental, and Use of Motor Vehicles), Tax Code, by adding Section 152.1222, as follows:

Sec. 152.1222. ALLOCATION OF CERTAIN TAX REVENUE TO PROPERTY TAX RELIEF FUND. (a) Requires the comptroller, notwithstanding Section 152.122, to deposit to the credit of the property tax relief fund under Section 403.109, Government Code, the amount of money received under Section 152.121 that is estimated to have been derived from the computation of the tax imposed by this chapter on the standard presumptive values of motor vehicles.

(b) Requires the comptroller to determine the amount described by Subsection (a) using available statistical data. Authorizes the comptroller, if satisfactory data are not available, to require county tax assessor-collectors to report additional information to the comptroller as necessary to make the allocation required by Subsection (a).

(b) Effective date, this section: October 1, 2006, except as provided by Subsection (c).

(c) Makes application of this section contingent upon H.B. 4, Acts of the 79th Legislature, 3rd Called Session, 2006, being enacted and becoming law.

SECTION 4. (a) Amends Subchapter J (Nature of Tax and Disposition of Funds), Chapter 154 (Cigarette Tax), Tax Code, by adding Section 154.6035, as follows:

Sec. 154.6035. ALLOCATION OF CERTAIN REVENUE TO PROPERTY TAX RELIEF FUND. Requires that, notwithstanding Section 154.603, all proceeds from the collection of taxes imposed by this chapter attributable to the portion of the tax rate in excess of \$20.50 per thousand on cigarettes, regardless of weight, be deposited to the credit of the property tax relief fund under Section 403.109, Government Code.

(b) Amends Subchapter H (Allocation of Tax), Chapter 155 (Cigars and Tobacco Products Tax), Tax Code, by adding Section 155.2415, as follows:

Sec. 155.2415. ALLOCATION OF CERTAIN REVENUE TO PROPERTY TAX RELIEF FUND. Requires that, notwithstanding Section 155.241, all proceeds from the collection of taxes imposed by Section 155.0211 attributable to the portion of the tax rate in excess of 35.213 percent of the manufacturer's list price, exclusive of any trade discount, special discount, or deal, be deposited to the credit of the property tax relief fund under Section 403.109, Government Code.

(c) Effective date, this section: September 1, 2006, except as provided by Subsection (d).

(d) Makes application of this section contingent upon H.B. 5, Acts of the 79th Legislature, 3rd Called Session, 2006, being enacted and becoming law.

SECTION 5. Provides that to the extent of a conflict between a provision of this Act and a provision of any other Act of the 79th Legislature, 3rd Called Session, 2006, the provision of this Act prevails, regardless of relative dates of enactment,.

SECTION 6. Effective date: September 1, 2006, except as otherwise provided by this Act.