BILL ANALYSIS

Senate Research Center

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S.B. 407

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Finance

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As Filed

AUTHOR'S / SPONSOR'S STATEMENT OF INTENT

Since 1987, the local sales tax maximum rate has been two percent. Local governments have been authorized to assess sales tax for a variety of purposes, including economic development, crime control and prevention, sports and community venue projects, transit, emergency medical services districts, county health districts, county library districts, and street maintenance. Cities and counties are also currently eligible to impose a sales tax for property tax relief within certain limitations.

The many competing needs for sales tax revenue, the two percent limitation, and unfunded mandates from the state and federal governments have served to increase the property tax burden at the local level. This problem could be alleviated by implementing an additional sales tax for the express purpose of property tax relief.

As proposed, S.B. 407 authorizes cities and counties, contingent on voter approval, to impose an additional one-fourth percent sales tax for property tax relief. The sales tax revenue would reduce local property taxes through the existing "Truth in Taxation" formula found in Section 26.041, Tax Code.

RULEMAKING AUTHORITY

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

SECTION BY SECTION ANALYSIS

SECTION 1. Amends Subtitle C, Title 3, Tax Code, by adding Chapter 326, as follows:

CHAPTER 326. MUNICIPAL AND COUNTY SALES AND USE TAX FOR PROPERTY TAX RELIEF

SUBCHAPTER A. GENERAL PROVISIONS

Sec. 326.001 APPLICABLE LAW. Provides that Chapters 321 and 323, regarding municipal sales and use tax and county sales and use tax, respectively, apply to the municipal tax authorized by this chapter in the same manner as the respective chapters apply to the taxes authorized by those chapters.

Sec. 326.002. EFFECT ON COMBINED LOCAL TAX RATE. Provides that Sections 321.101 and 323.101 (regarding authorized taxes under the municipal and county sales and use tax act) do not apply to the municipal or county tax authorized by this chapter. Prohibits the rate of a municipal or county sales and use tax imposed under this chapter from being considered in determining the combined or overlapping rate of local sales and use taxes in any area under this subtitle or another law including certain other codes that are set forth.

[Reserves Sections 326.003-326.050 for expansion.]

SUBCHAPTER B. IMPOSITION OF TAX

Sec. 326.051. TAX AUTHORIZED. Authorizes a municipality or county to adopt or abolish the sales and use tax authorized by this chapter at a municipal or county election. Provides that the adoption of the tax by one political subdivision does not affect the authority of another subdivision that has overlapping boundaries to also adopt the tax authorized by this chapter.

Sec. 326.052. TAX RATE. Provides that the rate of the tax authorized by this chapter is one-fourth of one percent.

Sec. 326.053. SALES AND USE TAX EFFECTIVE DATE. (a) Makes the adoption or abolition of the tax effective on the first day of the first calendar quarter occurring after the expiration of the first complete calendar quarter offering after the date on which the comptroller of public accounts (comptroller) receives a notice of the election results from the municipality or county.

(b) Authorizes the comptroller to extend the effective date until the first day of the next calendar quarter if the comptroller determines that an effective date provided by Subsection (a) will occur before the comptroller can reasonably take action to collect the tax or implement of the abolition of the tax.

[Reserves Sections 326.054-326.100 for expansion.]

SUBCHAPTER C. TAX ELECTION PROCEDURES

Sec. 326.101. CALLING ELECTION. Provides that an election authorized by this chapter in a municipality is called by the adoption of an ordinance by the governing body of the municipality. Provides that an order by the commissioners court of a county calls an election authorized by this chapter in that county. Authorizes the governing body of a municipality or the commissioners court to call an election on its own motion and requires the governing body or commissioners court to call an election if at least five percent of registered voters in the municipality or county petition the governing body or commissioners court to call an election.

Sec. 326.102. ELECTION DATE. Requires an election under this chapter to be held on the next uniform election date that occurs after the election order and that allows sufficient time to comply with other requirements of law.

Sec. 326.103. BALLOT. Requires 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 municipality or county) at the rate of one-fourth of one percent to reduce the (municipal or county) property tax rate." Requires the ballot, at an election to abolish the tax, to be prepared to permit voting for or against the proposition: "The abolition of the one-fourth of one percent sales and use tax in (name of municipality or county) used to reduce the (municipal or county) property tax rate."

[Reserves Sections 326.104-326.150 for expansion.]

SUBCHAPTER D. USE OF TAX REVENUE

Sec. 326.151. USE OF REVENUE. Provides that any amount derived by a municipality or county from the sales and use tax under this chapter is additional revenue for purposes of Section 26.041 (regarding the tax rate of units imposing additional sales and use tax).

SECTION 2. Amends Section 26.012(1), Tax Code, to add municipality under Section 321.101(b) or Chapter 326 to the definition of "additional sales and use tax."

SECTION 3. Amends Section 31.01(i), Tax Code, to make conforming changes.

SECTION 4. Applies Sections 2 and 3 of this Act only to ad valorem taxes that are imposed for an ad valorem tax year that begins on or after January 1, 2008.

SECTION 5. (a) Effective date: September 1, 2007, except as provided by Subsection (b).

(b) Effective date for Sections 2 and 3: January 1, 2008.