

By: Pitts

H.B. No. 37

A BILL TO BE ENTITLED

AN ACT

relating to public school finance and state taxes; authorizing a state tax on payrolls.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF TEXAS:

SECTION 1. Section 42.251(b), Education Code, is amended to read as follows:

(b) The program shall be financed by:

(1) ad valorem tax revenue generated by an equalized uniform school district effort;

(2) ad valorem tax revenue generated by local school district effort in excess of the equalized uniform school district effort;

(3) the proceeds of the payroll tax imposed under Chapter 251, Tax Code;

(4) state available school funds distributed in accordance with law; and

(5) [~~4~~] state funds appropriated for the purposes of public school education and allocated to each district in an amount sufficient to finance the cost of each district's Foundation School Program not covered by other funds specified in this subsection.

SECTION 2. Section 42.252(a), Education Code, is amended to read as follows:

(a) Each school district's share of the Foundation School Program is determined by the following formula:

1 $LFA = TR \times DPV$

2 where:

3 "LFA" is the school district's local share;

4 "TR" is a tax rate which for each hundred dollars of valuation
 5 is an effective tax rate of \$0.76 [~~\$0.86~~]; and

6 "DPV" is the taxable value of property in the school district
 7 for the preceding tax year determined under Subchapter M, Chapter
 8 403, Government Code.

9 SECTION 3. Section 42.302(a), Education Code, is amended to
 10 read as follows:

11 (a) Each school district is guaranteed a specified amount
 12 per weighted student in state and local funds for each cent of tax
 13 effort over that required for the district's local fund assignment
 14 up to the maximum level specified in this subchapter. The amount of
 15 state support, subject only to the maximum amount under Section
 16 42.303, is determined by the formula:

17 $GYA = (GL \times WADA \times DTR \times 100) - LR$

18 where:

19 "GYA" is the guaranteed yield amount of state funds to be
 20 allocated to the district;

21 "GL" is the dollar amount guaranteed level of state and local
 22 funds per weighted student per cent of tax effort, which is \$27.65
 23 [~~\$27.14~~] or a greater amount for any year provided by
 24 appropriation;

25 "WADA" is the number of students in weighted average daily
 26 attendance, which is calculated by dividing the sum of the school
 27 district's allotments under Subchapters B and C, less any allotment

1 to the district for transportation, any allotment under Section
2 42.158, and 50 percent of the adjustment under Section 42.102, by
3 the basic allotment for the applicable year;

4 "DTR" is the district enrichment tax rate of the school
5 district, which is determined by subtracting the amounts specified
6 by Subsection (b) from the total amount of maintenance and
7 operations taxes collected by the school district for the
8 applicable school year and dividing the difference by the quotient
9 of the district's taxable value of property as determined under
10 Subchapter M, Chapter 403, Government Code, or, if applicable,
11 under Section 42.2521, divided by 100; and

12 "LR" is the local revenue, which is determined by multiplying
13 "DTR" by the quotient of the district's taxable value of property as
14 determined under Subchapter M, Chapter 403, Government Code, or, if
15 applicable, under Section 42.2521, divided by 100.

16 SECTION 4. Section 42.303, Education Code, is amended to
17 read as follows:

18 Sec. 42.303. LIMITATION ON ENRICHMENT TAX RATE. The
19 district enrichment tax rate ("DTR") under Section 42.302 may not
20 exceed \$0.24 [~~\$0.64~~] per \$100 of valuation, or a greater amount for
21 any year provided by appropriation.

22 SECTION 5. Section 45.003(d), Education Code, is amended to
23 read as follows:

24 (d) A proposition submitted to authorize the levy of
25 maintenance taxes must include the question of whether the
26 governing board or commissioners court may levy, assess, and
27 collect annual ad valorem taxes for the further maintenance of

1 public schools, at a rate not to exceed the rate, which may be not
2 more than \$1.00 [~~\$1.50~~] on the \$100 valuation of taxable property in
3 the district, stated in the proposition.

4 SECTION 6. Title 2, Tax Code, is amended by adding Subtitle
5 K to read as follows:

6 SUBTITLE K. PAYROLL TAX

7 CHAPTER 251. PAYROLL TAX

8 SUBCHAPTER A. GENERAL PROVISIONS

9 Sec. 251.001. DEFINITIONS. In this chapter:

10 (1) "Calendar quarter," "commission," "contribution,"
11 and "compensation fund" have the meaning assigned those terms by
12 Section 201.011, Labor Code.

13 (2) "Employer" has the meaning assigned by Subchapter
14 C, Chapter 201, Labor Code.

15 (3) "Wages" means the wages for employment paid by an
16 employer for which a contribution is required under Chapter 204,
17 Labor Code, to the compensation fund.

18 Sec. 251.002. RULES. The comptroller may adopt rules to
19 implement and administer this chapter.

20 [Sections 251.003-251.050 reserved for expansion]

21 SUBCHAPTER B. PAYROLL TAX FOR EMPLOYERS

22 Sec. 251.051. TAX IMPOSED. A payroll tax is imposed on each
23 employer for all wages paid during a calendar quarter.

24 Sec. 251.052. RATE. The rate of the tax is two percent of
25 the wages.

26 Sec. 251.053. TAX NOT DEDUCTED FROM WAGES. An employer may
27 not deduct the payroll tax imposed under this subchapter from any

1 wages of the employer's employees.

2 Sec. 251.054. REPORTS AND PAYMENT. Each employer shall, on
3 or before the last day of the month immediately following each
4 calendar quarter for which the employer is required to pay a
5 contribution under Chapter 204, Labor Code:

6 (1) file with the comptroller:

7 (A) a copy of any report required by the
8 commission for determining the amount of the contribution required
9 for any wages paid by the employer during that calendar quarter; and

10 (B) any other information required by the
11 comptroller on a form prescribed by the comptroller; and

12 (2) pay to the comptroller the tax due under this
13 subchapter.

14 Sec. 251.055. EXEMPTION FOR GOVERNMENTAL ENTITIES. (a)
15 The tax imposed under this subchapter does not apply to a
16 governmental entity.

17 (b) A governmental entity shall file reports under Section
18 251.054 in the same manner as any other employer.

19 [Sections 251.056-251.100 reserved for expansion]

20 SUBCHAPTER C. DISPOSITION OF PROCEEDS

21 Sec. 251.101. DISPOSITION OF PROCEEDS. All proceeds from
22 the collection of the taxes imposed under this chapter shall be
23 deposited to the credit of the foundation school fund.

24 SECTION 7. (a) Chapter 171, Tax Code, is repealed January
25 1, 2005.

26 (b) Chapter 171, Tax Code, and Subtitle B, Title 2, Tax
27 Code, continue to apply to audits, deficiencies, redeterminations,

1 and refunds of any tax due or collected under Chapter 171 until
2 barred by limitations.

3 (c) The repeal of Chapter 171, Tax Code, does not affect:

4 (1) the status of a corporation that has had its
5 corporate privileges, certificate of authority, or corporate
6 charter revoked, suit filed against it, or a receiver appointed
7 under Subchapter F, G, or H of that chapter;

8 (2) the ability of the comptroller, secretary of
9 state, or attorney general to take action against a corporation
10 under Subchapter F, G, or H of that chapter for actions that took
11 place before the repeal; or

12 (3) the right of a corporation to contest a
13 forfeiture, revocation, lawsuit, or appointment of a receiver under
14 Subchapter F, G, or H of that chapter.

15 SECTION 8. (a) Except as otherwise provided by this
16 section, this Act takes effect September 1, 2005.

17 (b) Sections 6 and 7 of this Act take effect January 1, 2005.