BILL ANALYSIS

DIGEST AND PURPOSE

In 2001, the 77th Texas Legislature enacted a law to allow a municipality to adopt a locally approved one-fourth of one percent municipal sales and use tax for the purpose of generating revenue for street maintenance. In some instances, a one-fourth of one percent tax rate could generate more revenues than needed, but the legislation failed to give municipalities the option to choose a lower tax rate. H.B. 164 allows municipalities to seek voter approval on sales tax for street maintenance in increments less than one-fourth of one percent.

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 Sections 327.003(b) and (c), Tax Code, as follows:

> (b)   Prohibits a municipality from adopting a tax under this chapter or increasing the rate of the tax if as a result of the adoption of the tax or the increase in the rate of the tax the combined rate of all sales and use taxes imposed by the municipality and other political subdivisions of this state having territory in the municipality would exceed two percent at any location in the municipality.

> (c) Provides that the election to adopt a sales and use tax under this chapter has no effect, if the voters of a municipality approve the adoption of the tax or the increase in the rate of the tax at an election held on the same election date on which another political subdivision adopts a sales and use tax or approves the increase in the rate of its sales and use tax and as a result the combined rate of all sales and use taxes imposed by the municipality and other political subdivisions of this state having territory in the municipality would exceed two percent at any location in the municipality

SECTION 2. Amends Section 327.004, Tax Code, to authorize the tax authorized by this chapter to be imposed at the rate of one-eighth of one percent or one-fourth of percent. Deletes text referencing the rate of tax authorized by this chapter. Makes a nonsubstantive change.

SECTION 3. Amends Section 327.005(a), Tax Code, to provide that the adoption of the tax or the change in the rate of the tax takes effect on the first day of the first calendar quarter occurring after the expiration of the first complete calendar quarter occurring after the date on which the comptroller receives notice of the results of the election.

SECTION 4. Amends Section 327.006(b), Tax 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 municipality) at the rate of (insert one-eighth of one percent or one-fourth of one percent), to provide revenue for maintenance and repair of municipal streets." Deletes text requiring the adoption of local sale and use tax to include one-fourth of one percent on the ballot.

SECTION 5. Amends Chapter 327, Tax Code, by adding Section 327.0065, as follows:

Sec. 327.0065. RATE CHANGE. (a) Provides that a municipality that has adopted a sales and use tax under this chapter at a rate of one-fourth of one percent may by ordinance decrease the rate of the tax to one-eighth of one percent.

(b) Provides that a municipality that has adopted a sales and use tax under this chapter at a rate of one-eighth of one percent may by ordinance increase the rate of the tax to one-fourth of one percent if the increase is authorized at an election held in the municipality.

(c) Requires the ballot for an election to increase the tax to be printed to permit voting for or against the proposition: "The adoption of a local sales and use tax in (name of municipality) at the rate of one-fourth of one percent to provide revenue for maintenance and repair of municipal streets."

SECTION 6. Amends Section 327.007(b), Tax Code, to make a conforming change.

SECTION 7. Effective date: upon passage or September 1, 2003.