

BILL ANALYSIS

H.B. 164
By: Truitt
Local Government Ways and Means
Committee Report (Unamended)

BACKGROUND AND PURPOSE

During the last legislative session, the 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. Current law, however, does not give municipalities the option to choose a lower tax rate. House Bill 164 authorizes municipalities to choose a lower tax rate for the purpose of generating revenue to maintain municipal streets.

RULEMAKING AUTHORITY

It is the committee's opinion that this bill does not expressly grant any additional rulemaking authority to a state officer, department, agency, or institution.

ANALYSIS

House Bill 164 amends the Tax Code to impose a municipal sales and use tax for the maintenance of municipal streets (maintenance tax). The bill prohibits a municipality from increasing the maintenance tax if, as a result of the increased 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. The bill provides that an election to increase a maintenance tax has no effect if the voters of a municipality approve the adoption 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. The bill authorizes a municipality to impose a maintenance tax at a rate of one-eighth of one percent or one-fourth of one percent. The bill provides the date on which a change in the rate of the maintenance tax will take effect. The bill sets forth procedures for a municipality to decrease or increase a maintenance tax by ordinance. The bill sets forth procedures for calling an election to adopt, increase, or reauthorize a maintenance tax, including ballot requirements and procedures related to the adoption, increase, or reauthorization of such a tax.

EFFECTIVE DATE

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Upon passage, or, if the Act does not receive the necessary vote, the Act takes effect September 1, 2003.