

By: Davis of Dallas

H.B. No. 827

A BILL TO BE ENTITLED

AN ACT

relating to the application of the sunset review process to certain exemptions from property taxes and state taxes.

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

SECTION 1. Chapter 325, Government Code, is amended by adding Section 325.023 to read as follows:

Sec. 325.023. EVALUATION OF EXEMPTIONS FROM PROPERTY AND STATE TAXES. (a) In this section, "exemption" includes:

(1) an exemption that is provided by the manner in which a term is defined in Subchapter A, Chapter 151, Tax Code; and

(2) an exception provided by Chapter 153, Tax Code, from the taxes imposed by that chapter.

(b) The commission shall periodically evaluate each exemption provided by Chapters 11, 151, 152, 153, and 171, Tax Code, from the taxes imposed by those chapters.

(c) The commission shall conduct the evaluation required by Subsection (b) according to a schedule that the commission adopts. The schedule must provide for the commission to evaluate each tax exemption at an interval not to exceed six years. The commission shall provide the schedule to the governor, lieutenant governor, speaker of the house of representatives, and presiding officers of the senate finance committee and the house ways and means committee.

(d) The commission's evaluation of each tax exemption must:

1 (1) include an evaluation of the exemption's effect
2 on:

3 (A) revenue received from taxes imposed by the
4 chapter providing the exemption;

5 (B) sales of property, goods, and services made
6 in this state, where applicable; and

7 (C) economic investment and growth in this state;

8 (2) take into account any other factors the commission
9 considers relevant in evaluating the exemption;

10 (3) consider whether retaining the exemption is in the
11 best interest of the public; and

12 (4) make recommendations for retaining or repealing
13 the exemption, or for amending a provision related to the
14 exemption.

15 (e) At each regular legislative session, the commission
16 shall present to the legislature and the governor a report on the
17 evaluation and recommendations it makes under Subsection (d). The
18 report must include drafts of any legislation needed to carry out
19 the commission's recommendations under that subsection.

20 (f) The evaluation described by this section does not apply
21 to a tax exemption that is:

22 (1) explicitly provided by the constitution of this
23 state; or

24 (2) for an item or service that this state is unable to
25 tax under the United States Constitution or federal law.

26 SECTION 2. Subchapter C, Chapter 11, Tax Code, is amended by
27 adding Section 11.48 to read as follows:

1 Sec. 11.48. SUNSET PROVISION FOR PROPERTY TAX
2 EXEMPTIONS. (a) The exemptions provided by this chapter from the
3 taxes imposed by this chapter are subject to periodic evaluation by
4 the Sunset Advisory Commission under Section 325.023, Government
5 Code, according to a schedule that the commission adopts under that
6 section.

7 (b) A tax exemption provided by this chapter that is the
8 subject of a Sunset Advisory Commission evaluation under Section
9 325.023, Government Code, and a section or part of a section that
10 provides the exemption are repealed on December 31 of the year in
11 which the commission presents its evaluation to the legislature
12 unless the legislature retains the exemption.

13 (c) This section does not prohibit the legislature from
14 repealing an exemption from the taxes imposed by this chapter at a
15 date earlier than the date provided by this section.

16 (d) The evaluation described by Subsection (a) and the
17 repeal described by Subsection (b) do not apply to a tax exemption
18 that is explicitly provided by the constitution of this state.

19 SECTION 3. Chapter 101, Tax Code, is amended by adding
20 Section 101.010 to read as follows:

21 Sec. 101.010. SUNSET PROVISION FOR CERTAIN EXEMPTIONS FROM
22 STATE TAXES. (a) In this section, "exemption" includes:

23 (1) an exemption that is provided by the manner in
24 which a term is defined in Subchapter A, Chapter 151; and

25 (2) an exception under Chapter 153 from the taxes
26 imposed by that chapter.

27 (b) The exemptions provided by Chapters 151, 152, 153, and

1 171 from the taxes imposed by those chapters are subject to periodic
2 evaluation by the Sunset Advisory Commission under Section 325.023,
3 Government Code, according to a schedule that the commission adopts
4 under that section.

5 (c) A tax exemption that is the subject of a Sunset Advisory
6 Commission evaluation under Section 325.023, Government Code, and a
7 section or part of a section that provides the exemption are
8 repealed on December 31 of the year in which the commission presents
9 its evaluation to the legislature unless the legislature retains
10 the exemption.

11 (d) This section does not prohibit the legislature from
12 repealing an exemption from the taxes imposed by Chapters 151, 152,
13 153, and 171 at a date earlier than the date provided by this
14 section.

15 (e) The evaluation described by Subsection (b) and the
16 repeal described by Subsection (c) do not apply to a tax exemption
17 for an item or service that this state is unable to tax under the
18 United States Constitution or federal law.

19 SECTION 4. (a) The Sunset Advisory Commission shall adopt
20 a schedule for evaluating exemptions from property taxes and state
21 taxes as provided by Section 325.023, Government Code, as added by
22 this Act, on or before January 1, 2004.

23 (b) This Act takes effect immediately if it receives a vote
24 of two-thirds of all the members elected to each house, as provided
25 by Section 39, Article III, Texas Constitution. If this Act does
26 not receive the vote necessary for immediate effect, this Act takes
27 effect September 1, 2003.