

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 78TH LEGISLATIVE REGULAR SESSION

April 8, 2003

TO: Honorable Frank Madla, Chair, Senate Committee on Intergovernmental Relations

FROM: John Keel, Director, Legislative Budget Board

IN RE: HB164 by Truitt (Relating to the rates at which the municipal sales and use tax for street maintenance may be imposed.), **As Engrossed**

No fiscal implication to the State is anticipated.

The bill would amend Chapter 327 of the Tax Code, relating to municipal sales and use tax for street maintenance.

Under current law, municipal sales and use tax for street maintenance may be imposed only at the rate of 0.25 percent. The bill would allow a tax rate of 0.125 percent to be adopted for a municipal sales and use tax for street maintenance. In addition, it would allow a subsequent increase from 0.125 percent to 0.25 percent, and, further, it would allow a municipality that had adopted the tax at the rate of 0.25 percent to decrease the rate to 0.125 percent. In no case, however, could the combined local tax rate exceed 2 percent.

The bill would take effect immediately upon enactment, assuming that it received the requisite two-thirds majority votes in both houses of the Legislature. Otherwise, it would take effect September 1, 2003.

Local Government Impact

Municipalities that are currently below the 2 percent cap by at least one-eighth of one percent would have a positive fiscal impact if the voters approved a tax increase. The revenue gain would vary by municipality, depending on the size of the municipality and the level of applicable sales within its jurisdiction. Municipalities that choose to lower the existing tax rate and receive voter approval to do so would be able, if desired and authorized, to adopt or increase other tax rates for other needs and still remain under the 2 percent cap.

Source Agencies: 304 Comptroller of Public Accounts

LBB Staff: JK, DLBa, SD, WP, SM, KG