

## **BILL ANALYSIS**

H.B. 2  
By: Pitts  
Ways & Means  
Committee Report (Unamended)

### **BACKGROUND AND PURPOSE**

The Texas Supreme Court held in Neeley v. West Orange-Cove CISD, that the state school finance system relies on revenues derived from a tax that, in effect, is a state property tax prohibited by the Texas Constitution. The court required the legislature to correct the constitutional violation by June 1, 2006.

The purpose of H.B. 2 is to dedicate additional state revenue derived from increases in franchise taxes, motor vehicle sales and use taxes, and taxes on cigarettes and other tobacco products to be placed in a property tax relief fund that may be appropriated only for a purpose that will result in a reduction of school district maintenance and operations tax rates to rates that are less than the rates in effect January 1, 2006.

### **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**

SECTION 1(a) of the bill creates a property tax relief fund, which is a special fund in the state treasury outside the general revenue fund. Money in the fund may be appropriated only for a purpose that will result in a reduction of school district maintenance and operations tax rates to rates that are less than the rates in effect on January 1, 2006. The fund is exempt from the application of Sections 403.095 and 404.071, Government Code, and that interest and income from deposit and investment of money in the fund must be allocated monthly to the fund.

SECTION 1(b) of the bill provides that SECTION 1 of the bill takes effect only if \_.B. \_\_\_\_\_, \_.B. \_\_\_\_\_, or \_.B. \_\_\_\_\_, Acts of the 79th Legislature, 3rd Called Session, 2006, is enacted and becomes law, but that if none of those Acts become law, SECTION 1 has no effect.

SECTION 2(a) of the bill provides that, notwithstanding Section 171.401, Tax Code, beginning with the state fiscal year that begins September 1, 2007, the comptroller shall, for each state fiscal year, deposit to the credit of the property tax relief fund under Section 403.109, Government Code, an amount of revenue calculated by:

- (1) determining the revenue derived from the tax imposed by Chapter 171, Tax Code (Franchise Tax), as it applied during that applicable state fiscal year; and
- (2) subtracting the revenue the comptroller estimates that the tax imposed by Chapter 171, Tax Code (Franchise Tax), as it existed on August 31, 2007, would have generated if it had been in effect for that applicable state fiscal year.

It also provides that if the amount under Sec. 171.4011(a), Tax Code is less than zero, the comptroller shall consider the amount to be zero.

SECTION 2(b) of the bill provides that, except as provided by SECTION 2(c) of the bill, SECTION 2 takes effect September 1, 2007.

SECTION 2(c) of the bill provides that SECTION 2 takes effect only if \_.B. \_\_\_\_\_, Acts of the 79th Legislature, 3rd Called Session, 2006, is enacted and becomes law, but if that Act does not become law, SECTION 2 has no effect.

SECTION 3(a) of the bill provides that, notwithstanding Section 152.122, Tax Code, the comptroller shall deposit to the credit of the property tax relief fund under Section 403.109, Government Code, the amount of money received under Section 152.121, Tax Code, that is estimated to have been derived from the computation of the tax imposed by Chapter 152, Tax Code, on the standard presumptive values of motor vehicles.

It also requires the comptroller to determine the amount described by Sec. 152.1222(a), Tax Code, using available statistical data and provides that if satisfactory data are not available, the comptroller may require county tax assessor-collectors to report additional information to the comptroller as necessary to make the allocation required by Sec. 152.1222(a), Tax Code.

SECTION 3(b) of the bill provides that, except as provided by SECTION 3(c) of the bill, SECTION 3 takes effect October 1, 2006.

SECTION 3(c) of the bill provides that SECTION 3 takes effect only if .B. No. \_\_\_\_\_, Acts of the 79th Legislature, 3rd Called Session, 2006, is enacted and becomes law, but if that Act does not become law, SECTION 3 has no effect.

SECTION 4(a) of the bill provides that, notwithstanding Section 154.603, Tax Code, all proceeds from the collection of taxes imposed by Chapter 154, Tax Code, attributable to the portion of the tax rate in excess of \$20.50 per thousand on cigarettes, regardless of weight, shall be deposited to the credit of the property tax relief fund under Section 403.109, Government Code.

SECTION 4(b) of the bill provides that, notwithstanding Section 155.241, Tax Code, all proceeds from the collection of taxes imposed by Section 155.0211, Tax Code, attributable to the portion of the tax rate in excess of 35.213 percent of the manufacturer's list price, exclusive of any trade discount, special discount, or deal, shall be deposited to the credit of the property tax relief fund under Section 403.109, Government Code.

SECTION 4(c) of the bill provides that, except as provided by SECTION 4(d) of the bill, SECTION 4 takes effect September 1, 2006.

SECTION 4(d) of the bill provides that SECTION 4 takes effect only if .B. No. \_\_\_\_\_, Acts of the 79th Legislature, 3rd Called Session, 2006, is enacted and becomes law, but if that Act does not become law, SECTION 4 has no effect.

SECTION 5 of the bill provides that to the extent of a conflict between a provision of the bill and a provision of any other Act of the 79th Legislature, 3rd Called Session, 2006, the provision of this bill prevails, regardless of relative dates of enactment.

SECTION 6 of the bill provides that, except as otherwise provided by the bill, the bill takes effect September 1, 2006.

### **EFFECTIVE DATE**

Except as otherwise provided by the bill, the bill takes effect September 1, 2006.

SECTION 1(b) of the bill provides that SECTION 1 of the bill takes effect only if .B. \_\_\_\_\_, .B. \_\_\_\_\_, or .B. \_\_\_\_\_, Acts of the 79th Legislature, 3rd Called Session, 2006, is enacted and becomes law, but that if none of those Acts become law, SECTION 1 has no effect.

SECTION 2(b) of the bill provides that, except as provided by SECTION 2(c) of the bill, SECTION 2 takes effect September 1, 2007.

SECTION 2(c) of the bill provides that SECTION 2 takes effect only if .B. \_\_\_\_\_, Acts of the 79th Legislature, 3rd Called Session, 2006, is enacted and becomes law, but if that Act does not become law, SECTION 2 has no effect.

SECTION 3(b) of the bill provides that, except as provided by SECTION 3(c) of the bill, SECTION 3 takes effect October 1, 2006.

SECTION 3(c) of the bill provides that SECTION 3 takes effect only if .B. No. \_\_\_\_\_, Acts of the 79th Legislature, 3rd Called Session, 2006, is enacted and becomes law, but if that Act does not become law, SECTION 3 has no effect.

SECTION 4(c) of the bill provides that, except as provided by SECTION 4(d) of the bill, SECTION 4 takes effect September 1, 2006.

SECTION 4(d) of the bill provides that SECTION 4 takes effect only if .B. No. \_\_\_\_\_, Acts of the 79th Legislature, 3rd Called Session, 2006, is enacted and becomes law, but if that Act does not become law, SECTION 4 has no effect.