

BILL ANALYSIS

Senate Research Center
79S30516 KLA-D

H.B. 5
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Finance
4/28/2006
Engrossed

AUTHOR'S/SPONSOR'S STATEMENT OF INTENT

The Texas Supreme Court held in *Neeley v. West Orange-Cove Consolidated Independent School District* 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.

H.B. 5 provides additional state revenue derived from taxes imposed on cigarettes and other tobacco products to provide funds for the public school system, enabling school districts to exercise meaningful discretion in setting local property tax rates. In raising taxes on cigarettes and other tobacco products, this bill provides a reliable revenue stream, while aiding in the reduction of tobacco use, thus lowering health care costs.

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 Section 154.021(b), Tax Code, by increasing the tax rate for cigarettes weighing three pounds or less per thousand from \$20.50 to \$70.50 per thousand.

SECTION 2. Amends Section 155.0211(b), Tax Code, by increasing the tax rate for tobacco products other than cigars from 35.213 percent to 40 percent of the manufacturer's list price, exclusive of certain discounts.

SECTION 3. Makes application of this Act prospective.

SECTION 4. Effective date: September 1, 2006.