

BILL ANALYSIS

H.B. 5
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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. 5 is to provide additional state revenue derived from taxes imposed on cigarettes and other tobacco products that would be available to provide funds for the public school system, thus enabling school districts to exercise meaningful discretion in setting local property tax rates.

RULEMAKING AUTHORITY

It is the committee's opinion that the bill does not expressly grant any additional rulemaking authority.

ANALYSIS

SECTION 1 of the bill increases the rate of the tax imposed on cigarettes from \$20.50 per thousand to \$70.50 per thousand on cigarettes weighing three pounds or less per thousand and thereby makes a corresponding increase to cigarettes weighing more than three pounds per thousand.

SECTION 2 of the bill increases the rate of the tax imposed on tobacco products other than cigars from 35.213 percent to 40 percent of the list price.

SECTION 3 of the bill provides that the changes in law made by the bill do not affect tax liability accruing before the effective date of the bill, and further provides that the tax liability and the former law relating to collection and enforcement of that liability continue in effect as if the bill were not enacted.

SECTION 4 of the bill provides that the bill takes effect September 1, 2006.

EFFECTIVE DATE

The bill takes effect September 1, 2006.