

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 79TH LEGISLATIVE REGULAR SESSION

April 11, 2005

TO: Honorable Fred Hill, Chair, House Committee on Local Government Ways & Means

FROM: John S. O'Brien, Deputy Director, Legislative Budget Board

IN RE: HB3195 by Smith, Todd (Relating to combined municipal sales tax ballot propositions.), **As Introduced**

No fiscal implication to the State is anticipated.

The bill would amend Subtitle C, Chapter 321, Tax Code to allow a municipality to combine a ballot proposition to lower or repeal any dedicated or special purpose municipal sales tax, including sales tax for property tax relief, and by the same proposition raise or adopt any other dedicated special purpose municipal sales tax.

A combined sales tax proposition would contain substantially the same language as required for the lowering, repealing, raising or adopting of each tax as appropriate.

If a combined sales tax proposition is defeated, this bill provides that no effect would occur on either the sales tax proposition being lowered or repealed by the proposition or the sales tax to be raised or adopted by the proposition.

Cities, counties, and special purpose districts wishing to adopt, increase, reduce or repeal local sales taxes must follow mandated ballot language provided for each sales tax when holding an election. Cities are afforded a variety of additional sales taxes they may adopt, but only in two cases may they adopt, increase or reduce two additional sales taxes in a single ballot proposition. Found in Article 5190.6 Sections 4A(p) and 4B(e), Vernons Texas Civil Statutes are two possible scenarios, the first scenario involves the 4A sales tax and the sales tax for property tax reduction, and the second scenario involves a 4A and 4B sales tax.

The bill would allow any combination of additional local sales taxes to be paired together as a single ballot proposition. Any ballot proposition that has occurred before the effective date of this legislation would not be affected.

There are 722 cities that impose an additional sales tax above 1 percent. It is unknown, however, how many of these municipalities would elect to undertake a combined ballot proposition to reduce an existing additional tax and adopt or increase another. If this bill passes, there may be an effort by many of the municipalities to increase the number of ballot propositions before the voters.

Since the bill would allow the trade-off of one sales tax for another, it is unknown as to how many municipalities may choose to undertake this combined ballot proposition.

The bill would take effect September 1, 2005.

Local Government Impact

No significant fiscal implication to units of local government is anticipated to implement the provisions of the bill.

Source Agencies: 304 Comptroller of Public Accounts

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