

BILL ANALYSIS

H.B. 36
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Ways & Means
Committee Report (Amended)

BACKGROUND AND PURPOSE

Recently, much public and legislative focus has been placed on our tax system and the appropriateness of the burden of taxpayers versus the direct benefit they receive from the revenue collected. Focus is also placed on whether the revenue from taxes are being utilized for the intention which they were originally designated.

Taxes adopted by the Legislature are not evaluated after they become provisions of the Tax Code. Unless a bill is introduced involving that specific provision, the Legislature does not have a mechanism to regularly evaluate taxes and whether their existence is still appropriate.

H.B. 36, as amended, creates the Select Commission on Periodic Tax Review to set a decennial review schedule for each state and local tax, credit, exemption, discount, exclusion, special valuation, rate, and methods of accounting and reporting these taxes. This review will be conducted by the Joint Legislative Tax Review Committee who will make recommendations to the Legislature and Governor.

RULEMAKING AUTHORITY

This bill does not expressly delegate any additional rulemaking authority to a state officer, department, agency, or institution.

ANALYSIS

H.B. 36, as amended, creates the Select Commission on Periodic Tax Review (Commission) to set a decennial review schedule for each state and local tax, identifying any tax which generated less than ten million dollars in the most recent biennium to receive an abbreviated review. It also creates the Joint Legislative Tax Review Committee (Committee) to review the taxes on the schedule and make recommendations regarding retaining or repealing the taxes to the Legislature and Governor.

The Commission shall be comprised of three Representatives appointed by the Speaker (one to be named the Chair), three Senators appointed by the Lieutenant Governor (one to be named the Vice-Chair), the Comptroller of Public Accounts and eight members of the public, four of which will be appointed by the Governor, two by the Lieutenant Governor and the remaining two appointed by the Speaker. Members shall serve two-year terms expiring December 31 of even-numbered years. The Commission will be funded out of contingent expense funds from the Senate, House of Representatives and the Governor. Appointments shall be made to the Commission by October 1, 2007.

The review schedule shall be created by the Commission with input from the public and may be modified to add newly enacted taxes, delete repealed taxes, update the review dates for the next review schedule or for a particular tax. Not later than December 1 of odd-numbered years the Commission shall provide the review schedule to the Committee, except that the first review schedule shall be submitted by January 15, 2008.

The Committee shall be comprised of twelve members, six Senators appointed by the Lieutenant Governor and six Representatives appointed by the Speaker, with two-year terms. The Speaker shall appoint the Chair of the Committee and the Lieutenant Governor the Vice-Chair. The Committee will be funded out of contingent expense funds from the Senate, House of Representatives and may hire staff in addition to utilizing staff from various state agencies. The Committee shall meet at least quarterly to review the taxes set forth by the Commission's review schedule. The review shall:

- I. evaluate the impact of the tax and the expenditures of the tax revenue of economic development in this state;
- II. examine the relationship between:
 - A. the tax and other revenue sources and the revenue needs of the state government and local governments, with particular consideration given to projected demographic trends in this state; and
 - B. the tax burden imposed on taxpayers, categorized by household income level or business sector, as applicable, and the benefits those taxpayers receive from government expenditures in this state;
- III. develop recommendations for retaining or repealing the tax or for amending a provision related to the tax; and
- IV. make recommendations for retaining, repealing, or amending a credit, exemption, discount, exclusion, special rate or method of reporting a tax.

The Committee must give a preliminary report to the Commission by September 1 of even-numbered years, which must include any proposed legislation. The Commission may submit comments on the preliminary report by October 15 of even-numbered years, which the Committee may use to modify its report, but which shall be included in the final report. The final report shall be submitted to the Governor, Senate Finance and the House Ways and Means Committees. The Senate Finance and House Ways and Means Committees shall have a joint public hearing over the final report.

This Act takes effect immediately if it receives a vote of two-thirds of the House and Senate, otherwise it is effective September 1, 2007.

EFFECTIVE DATE

This Act takes effect immediately if it receives a vote of two-thirds of the House and Senate, otherwise it is effective September 1, 2007.

EXPLANATION OF AMENDMENT

The amendment adds a provision that the appointment of public members to the Select Commission on Periodic Tax Review shall reflect the geographical and cultural diversity of the state.