

BILL ANALYSIS

C.S.H.B. 2084
By: Hill
Local Government Ways & Means
Committee Report (Substituted)

BACKGROUND AND PURPOSE

The state currently levies a 6.25 percent sales tax, and local governments can add up to 2% more. Most cities use one percent from that 2% for general revenue. Dallas and other DART cities levy the remaining penny for mass transit. Many non-transit cities use the remaining penny for economic or community development. Many communities would like the opportunity to allow voters in non-transit cities to decide whether to levy as much as 1% more for transit. Cities already in transit systems could decide to use an extra cent for other purposes.

C.S.H.B. 2084 exempts transit taxes in certain municipalities from the 2% cap. This allows municipalities who have dedicated one percent of their local taxes for economic development or other purposes to raise an additional percent of sales tax for transit purposes. It also allows cities that already levy a one percent tax for transit purposes to have an additional one percent of sales tax dedicated to economic development or other purposes. C.S.H.B. 2084 provides that any sales tax levied for such a purpose be approved in a local option election, preserving the public's right to vote on taxes.

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. Amends Subtitle C, Title 3, Tax Code by adding Chapter 329, which allows certain municipalities to levy a sales tax up to one percent for transit purposes that is not used in considering the combined or overlapping local sales and use tax rate.

SECTION 2. Amends Sections 321.101(b) and (c), Tax Code by exempting municipalities to which Chapter 329 applies from disqualification from holding a local option election for an applicable transit sales and use tax.

SECTION 3. Effective date.

EFFECTIVE DATE

October 1, 2007.

COMPARISON OF ORIGINAL TO SUBSTITUTE

The original bill was effective immediately, unless it failed to get the necessary votes. In that case, it would have been effective September 1, 2007. The substitute has an effective date of October 1, 2007. This allows the cities that elect to impose the tax and the Comptroller's office to begin the new policy at the start of the new fiscal year and allow them time to adjust to the change.