

## **BILL ANALYSIS**

Senate Research Center  
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C.S.H.B. 3417  
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Intergovernmental Relations  
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Committee Report (Substituted)

### **AUTHOR'S / SPONSOR'S STATEMENT OF INTENT**

The original provisions creating crime control and prevention districts (district) only addressed counties, but subsequent legislation added certain municipalities. Current law requires a county or municipality that creates a district to adopt, subject to election, a sales tax to finance the operation of the district. However, provisions regarding the creation of such a sales tax, though applied to both counties and municipalities, only address counties.

C.S.H.B. 3417 clarifies the manner in which a municipality that creates a district is authorized to assess a sales and use tax for financing the operation of the district.

### **RULEMAKING AUTHORITY**

Rulemaking authority is expressly granted to the comptroller of public accounts in SECTION 4 (Section 321.108, Tax Code) of this bill.

### **SECTION BY SECTION ANALYSIS**

SECTION 1. Amends Section 363.051(a), Local Government Code, to authorize the creation of a crime control and prevention district to be proposed under this chapter by a majority vote of the governing body of a county with a population of more than 130,000 or that does not border the United Mexican States, is adjacent to a county with a population of 500,000 or more that borders the United Mexican States, and has a population of 5,000 or more, or a municipality that is partially or wholly located within a county with a population of more than 5,000.

SECTION 2. Amends Sections 363.055(a), and (c), Local Government Code, to make conforming changes.

SECTION 3. Amends Section 363.154(e), Local Government Code, to make a conforming change.

SECTION 4. Amends Section 363.302(c), Local Government Code, to make a conforming change.

SECTION 5. Amends Subchapter B, Chapter 321, Tax Code, by adding Section 321.108, as follows:

Sec. 321.108. MUNICIPAL CRIME CONTROL AND PREVENTION DISTRICT TAX. (a) Requires a municipality in which a crime control and prevention district is established, subject to an election held in accordance with Chapter 363, Local Government Code, to adopt a sales and use tax in the area of the district for the purpose of financing the operation of the crime control and prevention district. Authorizes the revenue from the tax to be used only for the purpose of financing the operation of the crime control and prevention district. Requires the proposition for adopting a tax under this section and the proposition for creation of a crime control and prevention district to be submitted at the same election.

(b) Authorizes a tax adopted for a district under this section for financing the operation of the district to be decreased in increments of one-eighth of one percent by order of the board of directors of the district.

(c) Authorizes the governing body of the municipality that proposed the creation of the crime control and prevention district to call an election in the district on the question of decreasing the tax rate in increments of one-eighth of one percent in the district. Sets forth the required language for the ballot.

(d) Authorizes the rate of a tax adopted for a district under this section to be increased in increments of one-eighth of one percent, not to exceed a total tax rate of one-half percent for financing the operation of the crime control and prevention district, by order of the board of directors of the crime control and prevention district if approved by a majority of the voters voting at an election called by the board and held in the district on the question of increasing the tax rate. Sets forth the required language for the ballot. Provides that if there is an increase or decrease under this subsection in the rate of a tax imposed under this section, the new rate takes effect on the first day of the next calendar quarter after the expiration of one calendar quarter after the comptroller receives notice of the increase or decrease. Authorizes the comptroller, if the comptroller notifies the president of the board of directors of the district in writing within 10 days after receipt of the notification that the comptroller requires more time to implement reporting and collection procedures, to delay implementation of the rate change for another calendar quarter, and the new rate takes effect on the first day of the next calendar quarter following the elapsed quarter.

(e) Requires the comptroller to remit to the municipality amounts collected at the rate imposed under this section as part of the regular allocation of municipal tax revenue collected by the comptroller if the district is composed of the entire municipality. Requires the comptroller to, if the district is composed of an area less than the entire municipality, remit that amount to the district. Prohibits retailers from being required to use allocation and reporting procedures in the collection of taxes under this section that are different from the procedures that retailers use in the collection of other sales and use taxes under this chapter. Provides that an item, transaction, or service that is taxable in a municipality under a sales or use tax authorized by another section of this chapter is taxable under this section. Provides that an item, transaction, or service that is not taxable in a municipality under a sales or use tax authorized by another section of this chapter is not taxable under this section.

(f) Provides that if, in a municipality in which a crime control and prevention district is composed of the whole municipality, a municipal sales and use tax or a municipal sales and use tax rate increase for the purpose of financing a crime control and prevention district is approved, the municipality is responsible for distributing to the district that portion of the municipal sales and use tax revenue received from the comptroller that is to be used for the purposes of financing the crime control and prevention district. Requires the municipality, not later than the 10th day after the date the municipality receives money under this section from the comptroller, to make the distribution in the proportion that the crime control and prevention portion of the tax rate bears to the total sales and use tax rate of the municipality. Provides that the amounts distributed to a crime control and prevention district are not considered to be additional municipal sales and use tax revenue for the purpose of property tax reduction and computation of the municipal tax rate under Section 26.041.

(g) Provides that, for purposes of the tax imposed under this section, a reference in this chapter to the municipality as the territory in which the tax or an incident of the tax applies means only the territory located in the crime control and prevention district, if that district is composed of an area less than an entire municipality.

(h) Authorizes the comptroller to adopt rules and authorizes the governing body of the municipality to adopt orders to administer this section.

SECTION 6. (a) Makes application of this Act prospective.

(b) Requires the comptroller to implement any change necessary as a result of the change in law made by this Act on or before January 1, 2008.

SECTION 7. Effective date: upon passage or September 1, 2007.