BILL ANALYSIS

Senate Research Center

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S.B. 257
By: Carona
Finance
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AUTHOR'S / SPONSOR'S STATEMENT OF INTENT

The state currently levies a 6.25 percent sales tax and cities may impose up to two additional cents to the tax rate. Many cities which do not have mass transit services tend to use the revenue generated by the extra two cents for economic or community development. However, communities want the authority to allow the community's voters to decide whether to levy up to an additional one cent for transit purposes.

As proposed, S.B. 257 authorizes municipalities and counties to impose, on a local option basis, transit taxes in addition to current taxes geared toward economic development or other purposes. This bill also exempts transit taxes from the two percent cap on city-imposed sales taxes.

RULEMAKING AUTHORITY

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

SECTION BY SECTION ANALYSIS

SECTION 1. Amends Section 321.101, Tax Code, as follows:

> Sec. 321.101. TAX AUTHORIZED. (a) Makes no changes to this subsection.
>
> > (b) Deletes existing text prohibiting certain municipalities from adopting a sales and use tax unless that municipality meets certain criteria. Makes a conforming change.
> >
> > (c) Redesignated from existing Subsection (d). Deletes existing text of Subsection (c), defining "principal municipality" and "contiguous municipality."
> >
> > (d) Deletes existing text prohibiting metropolitan transit authorities or regional transportation authorities from imposing their own respective taxes if there is a municipality under either authority that has adopted its own sales or use tax. Redesignates existing Subsection (f) as Subsection (d). Provides an exception to the inclusion of transit taxes used primarily for transportation services support (transit taxes) from the prohibition against a municipality adopting, increasing, or adding a sales and use tax if the combined rate of all taxes is greater than two percent in any location in the municipality.
> >
> > (e) Redesignated from existing Subsection (g). Makes a conforming change.
> >
> > (f) Redesignated from existing Subsection (i).

SECTION 2. Amends Sections 321.102(e) and (g), Tax Code, as follows:

> > (e) Provides an exception to the inclusion of certain transit taxes for purposes of calculating the automatic reduction of the sales and use taxes to two percent in municipalities that have a combined local sales and use tax rate exceeding two percent due to the municipality that has either annexed or is currently overlapping political subdivisions that had their own sales and use taxes.

(g) Makes a conforming change.

SECTION 3. Amends Section 321.101, Tax Code, as follows:

Sec. 321.101. TAX AUTHORIZED. (a) Makes no changes to this subsection.

(b) Deletes existing text qualifying a county to adopt a sales or use tax only if no part of the county falls under a rapid transit authority or a regional transportation authority. Redesignates existing Subsection (d) as Subsection (b). Provides an exception to the inclusion of certain transit taxes for purposes of calculating transit taxes in an automatic reduction of sales and use taxes to two percent in counties that have a combined rate of all county sales and use tax taxes that exceeds two percent.

(c) Deletes existing text prohibiting those transportation authorities from imposing their own respective taxes in counties with sales and use taxes. Redesignated from existing Subsection (e). Makes conforming changes.

(d) Redesignated from existing Subsection (f). Makes a conforming change.

SECTION 4. Amends Sections 324.021(b) and (c), Tax Code, to make conforming changes.

SECTION 5. Amends Sections 325.021(b) and (c), Tax Code, to make conforming changes.

SECTION 6. Amends Sections 327.003(b) and (c), Tax Code, to make conforming changes.

SECTION 7. Amends Section 370.363, Transportation Code, as follows.

Sec. 370.363. MAXIMUM TAX RATE. (a) Prohibits an authority from adopting a sales and use tax rate, include a rate increase, that when combined with the rates of all transit taxes primarily for the support of transportation services authorized by this code and that are imposed by all political subdivision of this state having territory in the service are of the transferred transit system exceeds one, rather than two, percent in any location in the service area.

(b) Makes a conforming change. Deletes existing text specifying that an election to approve a sales and use tax or increase the rate of an authority's sale sand use tax has no effect if the voters in the service area approve the authority's sales and use tax rate or rate increase at an election held on the same day on which a municipality of county having territory in the jurisdiction of the service area adopts a sales and use tax or an additional sales and use tax.

SECTION 8. Amends Section 451.405, Transportation Code, to make conforming changes.

SECTION 9. Amends Section 451.706(a), Transportation Code, to make a conforming change.

SECTION 10. Amends Section 452.403, Transportation Code, to make conforming changes, and to delete existing text providing guidelines for the repeal of additional sales and use taxes if the voters of a regional transportation authority approve the authority's sales and use tax rate or rate increase at an election held on the same day that a municipality or county having territory within the authority adopts a sales and use tax or an additional sales and use tax.

SECTION 11. Amends Section 453.402, Transportation Code, to make conforming changes.

SECTION 12. Amends Section 457.302, Transportation Code, to make conforming changes.

SECTION 13. Amends Section 460.551(c), Transportation Code, to make conforming changes.

SECTION 14. Amends Section 460.552(a), Transportation Code, to make conforming changes.

SECTION 15. Amends Sections 285.061(c) and (d), Health and Safety Code, as follows:

(c) Prohibits a hospital district from adopting a sales and use tax rate, including a rate increase, that, when combined with the rates of all transit taxes imposed by the district and all political subdivision of this state having territory in the district exceeds one, rather than two, percent in any location in the service area

(d) Makes a conforming change.

SECTION 16. Amends Section 285.161(b), Health and Safety Code, to make conforming changes.

SECTION 17. Amends Section 286.172, Health and Safety Code, to make a conforming change.

SECTION 18. Amends Sections 775.0751(c) and (d), Health and Safety Code, to make conforming changes.

SECTION 19. Amends Sections 776.0751(c) and (d), Health and Safety Code, to make conforming changes.

SECTION 20. Amends Section 326.096, Local Government Code, by authorizing a library district to adopt or increase sales and use taxes only if the combined sales and use taxes at any point in the district and other political subdivisions within that district, except transit taxes, to not exceed two percent.

SECTION 21. Amends Section 375.311(d), Local Government Code, to make conforming changes.

SECTION 22. Amends Sections 334.085(a) and (b), Local Government Code, as follows:

(a) Redefines "taxing authority."

(b) Deletes existing text providing an exception for municipalities and counties included in a regional transportation authority from a rule stating that an approved or elected tax that would raise the tax rate between the municipality or county and the taxing authority over two percent would rather than act as a decision to lower the taxing authority's sales and use tax such that the combined tax rate would be two percent.

SECTION 23. Amends Sections 383.106(a) and (b), Local Government Code, to make conforming changes.

SECTION 24. Amends Sections 385.111(f) and (h), Local Government Code, to make conforming changes.

SECTION 25. Amends Sections 3817.154(b) and (c), Special District Local Laws Code, as follows:

(b) Prohibits the Aldine Improvement District from adopting or increasing sales and use taxes that, combined with all sales and use taxes in the district and the political subdivisions within that district, except transit taxes, exceeds two percent.

(c) Provides that a sales and use tax elected by a political subdivision within the jurisdiction of the Aldine Improvement District overrides a sales and use tax elected by voters of the Aldine Improvement District if the combined tax rate in between two approved sales and use taxes, except transit taxes, exceeds two percent.

SECTION 26. Amends Section 3828.205(a), Special District Local Laws Code, to make a conforming change.

SECTION 27. Amends Section 3828.206(a), Special District Local Laws Code, to make conforming changes.

SECTION 28. Amends Sections 3847.154(b) and (c), Special District Local Laws Code, to make conforming changes.

SECTION 29. Amends Section 4A(d), Development Corporation Act of 1979 (Article 5190.6, V.T.C.S.), to prohibit a city from adopting a tax rate that would result in a continued rate of all sales and use taxes, including a tax under this section excepting certain transit sales and use taxes imposed by certain entities that exceeds two percent at any location.

SECTION 30. Repealers: (1) Section 321.1025 (Annexation To Certain Regional Transportation Authorities), Tax Code.

> (2) Section 334.085(b-1) (regarding voter elected reduction of taxes collected by a rapid transit authority), Local Government Code.

> (3) Section 334.0855 (regarding imposition of sales and use taxes in counties and municipalities included under a regional transportation authority), Local Government Code.

SECTION 31. Effective date: upon passage or September 1, 2007.