

By: Garcia

H.B. No. 3417

A BILL TO BE ENTITLED

AN ACT

relating to the sales and use tax imposed by municipal crime control and prevention districts.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF TEXAS:

SECTION 1. Sections 363.055(a) and (c), Local Government Code, are amended to read as follows:

(a) The proposed rate for the district sales and use tax imposed under Subchapter B, Chapter 321, Tax Code, or Subchapter B, Chapter 323, Tax Code, may be only:

- (1) one-eighth of one percent;
- (2) one-fourth of one percent;
- (3) three-eighths of one percent; or
- (4) one-half of one percent.

(c) A municipality that creates a district shall adopt a sales and use tax under Section 321.108 [~~323.105~~], Tax Code, for financing the operation of the district [~~in the same manner as a county under that section~~].

SECTION 2. Section 363.154(e), Local Government Code, is amended to read as follows:

(e) In a district created by a municipality, the board may spend the revenue derived from the sales and use tax distributed under Section 321.108 [~~323.105~~], Tax Code, only for a purpose authorized by Section 363.151.

SECTION 3. Section 363.302(c), Local Government Code, is

1 amended to read as follows:

2 (c) If on the date that the district is dissolved the  
3 district has outstanding short-term or long-term liabilities, the  
4 board shall, not later than the 30th day after the date of the  
5 dissolution, adopt a resolution certifying each outstanding  
6 short-term and long-term liability. The political subdivision that  
7 created the district shall assume the outstanding short-term and  
8 long-term liabilities. The political subdivision shall collect the  
9 sales and use tax under Section 321.108 or 323.105, Tax Code, for  
10 the remainder of the calendar year and may by resolution of its  
11 governing body continue to collect the tax for an additional  
12 calendar year if the revenue from the tax is needed to retire  
13 liabilities of the district that were assumed by the political  
14 subdivision. The governing body shall notify the comptroller of  
15 this continuation not later than the 60th day before the date the  
16 tax would otherwise expire. Any tax collected after the  
17 liabilities have been retired shall be transferred or conveyed as  
18 provided by Subsection (a).

19 SECTION 4. Subchapter B, Chapter 321, Tax Code, is amended  
20 by adding Section 321.108 to read as follows:

21 Sec. 321.108. MUNICIPAL CRIME CONTROL AND PREVENTION  
22 DISTRICT TAX. (a) Subject to an election held in accordance with  
23 Chapter 363, Local Government Code, a municipality in which a crime  
24 control and prevention district is established shall adopt a sales  
25 and use tax in the area of the district for the purpose of financing  
26 the operation of the crime control and prevention district. The  
27 revenue from the tax may be used only for the purpose of financing

1 the operation of the crime control and prevention district. The  
2 proposition for adopting a tax under this section and the  
3 proposition for creation of a crime control and prevention district  
4 shall be submitted at the same election.

5 (b) A tax adopted for a district under this section for  
6 financing the operation of the district may be decreased in  
7 increments of one-eighth of one percent by order of the board of  
8 directors of the district.

9 (c) The governing body of the municipality that proposed the  
10 creation of the crime control and prevention district may call an  
11 election in the district on the question of decreasing the tax rate  
12 in increments of one-eighth of one percent in the district. At the  
13 election, the ballot shall be printed to provide for voting for or  
14 against the following proposition: "The decrease of the  
15 \_\_\_\_\_ Crime Control and Prevention District sales  
16 and use tax rate to \_\_\_\_\_ percent."

17 (d) The rate of a tax adopted for a district under this  
18 section may be increased in increments of one-eighth of one  
19 percent, not to exceed a total tax rate of one-half percent for  
20 financing the operation of the crime control and prevention  
21 district, by order of the board of directors of the crime control  
22 and prevention district if approved by a majority of the voters  
23 voting at an election called by the board and held in the district  
24 on the question of increasing the tax rate. At the election, the  
25 ballot shall be printed to provide for voting for or against the  
26 following proposition: "The increase of the \_\_\_\_\_ Crime  
27 Control and Prevention District sales and use tax rate to

1                   percent." If there is an increase or decrease under  
2 this subsection in the rate of a tax imposed under this section, the  
3 new rate takes effect on the first day of the next calendar quarter  
4 after the expiration of one calendar quarter after the comptroller  
5 receives notice of the increase or decrease. However, if the  
6 comptroller notifies the president of the board of directors of the  
7 district in writing within 10 days after receipt of the  
8 notification that the comptroller requires more time to implement  
9 reporting and collection procedures, the comptroller may delay  
10 implementation of the rate change for another calendar quarter, and  
11 the new rate takes effect on the first day of the next calendar  
12 quarter following the elapsed quarter.

13       (e) The comptroller shall remit to the municipality amounts  
14 collected at the rate imposed under this section as part of the  
15 regular allocation of municipal tax revenue collected by the  
16 comptroller if the district is composed of the entire municipality.  
17 The comptroller shall, if the district is composed of an area less  
18 than the entire municipality, remit that amount to the district.  
19 Retailers may not be required to use allocation and reporting  
20 procedures in the collection of taxes under this section that are  
21 different from the procedures that retailers use in the collection  
22 of other sales and use taxes under this chapter. An item,  
23 transaction, or service that is taxable in a municipality under a  
24 sales or use tax authorized by another section of this chapter is  
25 taxable under this section. An item, transaction, or service that  
26 is not taxable in a municipality under a sales or use tax authorized  
27 by another section of this chapter is not taxable under this

1 section.

2 (f) If, in a municipality in which a crime control and  
3 prevention district is composed of the whole municipality, a  
4 municipal sales and use tax or a municipal sales and use tax rate  
5 increase for the purpose of financing a crime control and  
6 prevention district is approved, the municipality is responsible  
7 for distributing to the district that portion of the municipal  
8 sales and use tax revenue received from the comptroller that is to  
9 be used for the purposes of financing the crime control and  
10 prevention district. Not later than the 10th day after the date the  
11 municipality receives money under this section from the  
12 comptroller, the municipality shall make the distribution in the  
13 proportion that the crime control and prevention portion of the tax  
14 rate bears to the total sales and use tax rate of the municipality.  
15 The amounts distributed to a crime control and prevention district  
16 are not considered to be additional municipal sales and use tax  
17 revenue for the purpose of property tax reduction and computation  
18 of the municipal tax rate under Section 26.041.

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

25 (h) The comptroller may adopt rules and the governing body  
26 of the municipality may adopt orders to administer this section.

27 SECTION 5. (a) In a crime control and prevention district

1 created by a municipality before the effective date of this Act, an  
2 item, transaction, or service that is taxable in the municipality  
3 under a sales or use tax authorized by Chapter 321, Tax Code, is  
4 taxable under Section 321.108, Tax Code, as added by this Act, for  
5 the district, and an item, transaction, or service that is not  
6 taxable in the municipality under a sales or use tax authorized by  
7 Chapter 321, Tax Code, is not taxable under Section 321.108, Tax  
8 Code, as added by this Act, for the district.

9 (b) The comptroller shall implement any change necessary as  
10 a result of the change in law made by this Act on or before January  
11 1, 2008.

12 SECTION 6. This Act takes effect immediately if it receives  
13 a vote of two-thirds of all the members elected to each house, as  
14 provided by Section 39, Article III, Texas Constitution. If this  
15 Act does not receive the vote necessary for immediate effect, this  
16 Act takes effect September 1, 2007.