

1-1 By: Garcia, Herrero (Senate Sponsor - Hinojosa) H.B. No. 3417
1-2 (In the Senate - Received from the House May 14, 2007;
1-3 May 15, 2007, read first time and referred to Committee on
1-4 Intergovernmental Relations; May 19, 2007, reported adversely,
1-5 with favorable Committee Substitute by the following vote: Yeas 3,
1-6 Nays 0; May 19, 2007, sent to printer.)

1-7 COMMITTEE SUBSTITUTE FOR H.B. No. 3417 By: Nichols

1-8 A BILL TO BE ENTITLED
1-9 AN ACT

1-10 relating to the counties authorized to create a crime control and
1-11 prevention district and to the sales and use tax imposed by
1-12 municipal crime control and prevention districts.

1-13 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF TEXAS:

1-14 SECTION 1. Section 363.051(a), Local Government Code, is
1-15 amended to read as follows:

1-16 (a) The creation of a crime control and prevention district
1-17 may be proposed under this chapter by a majority vote of the
1-18 governing body of a:

1-19 (1) county:

1-20 (A) with a population of more than 130,000; or

1-21 (B) that:

1-22 (i) does not border the United Mexican
1-23 States;

1-24 (ii) is adjacent to a county with a
1-25 population of 500,000 or more that borders the United Mexican
1-26 States; and

1-27 (iii) has a population of 5,000 or more; or

1-28 (2) municipality that is partially or wholly located
1-29 in a county with a population of more than 5,000.

1-30 SECTION 2. Sections 363.055(a) and (c), Local Government
1-31 Code, are amended to read as follows:

1-32 (a) The proposed rate for the district sales and use tax
1-33 imposed under Subchapter B, Chapter 321, Tax Code, or Subchapter B,
1-34 Chapter 323, Tax Code, may be only:

1-35 (1) one-eighth of one percent;

1-36 (2) one-fourth of one percent;

1-37 (3) three-eighths of one percent; or

1-38 (4) one-half of one percent.

1-39 (c) A municipality that creates a district shall adopt a
1-40 sales and use tax under Section 321.108 [~~323.105~~], Tax Code, for
1-41 financing the operation of the district [~~in the same manner as a~~
1-42 ~~county under that section~~].

1-43 SECTION 3. Section 363.154(e), Local Government Code, is
1-44 amended to read as follows:

1-45 (e) In a district created by a municipality, the board may
1-46 spend the revenue derived from the sales and use tax distributed
1-47 under Section 321.108 [~~323.105~~], Tax Code, only for a purpose
1-48 authorized by Section 363.151.

1-49 SECTION 4. Section 363.302(c), Local Government Code, is
1-50 amended to read as follows:

1-51 (c) If on the date that the district is dissolved the
1-52 district has outstanding short-term or long-term liabilities, the
1-53 board shall, not later than the 30th day after the date of the
1-54 dissolution, adopt a resolution certifying each outstanding
1-55 short-term and long-term liability. The political subdivision that
1-56 created the district shall assume the outstanding short-term and
1-57 long-term liabilities. The political subdivision shall collect the
1-58 sales and use tax under Section 321.108 or 323.105, Tax Code, for
1-59 the remainder of the calendar year and may by resolution of its
1-60 governing body continue to collect the tax for an additional
1-61 calendar year if the revenue from the tax is needed to retire
1-62 liabilities of the district that were assumed by the political
1-63 subdivision. The governing body shall notify the comptroller of

2-1 this continuation not later than the 60th day before the date the
2-2 tax would otherwise expire. Any tax collected after the
2-3 liabilities have been retired shall be transferred or conveyed as
2-4 provided by Subsection (a).

2-5 SECTION 5. Subchapter B, Chapter 321, Tax Code, is amended
2-6 by adding Section 321.108 to read as follows:

2-7 Sec. 321.108. MUNICIPAL CRIME CONTROL AND PREVENTION
2-8 DISTRICT TAX. (a) Subject to an election held in accordance with
2-9 Chapter 363, Local Government Code, a municipality in which a crime
2-10 control and prevention district is established shall adopt a sales
2-11 and use tax in the area of the district for the purpose of financing
2-12 the operation of the crime control and prevention district. The
2-13 revenue from the tax may be used only for the purpose of financing
2-14 the operation of the crime control and prevention district. The
2-15 proposition for adopting a tax under this section and the
2-16 proposition for creation of a crime control and prevention district
2-17 shall be submitted at the same election.

2-18 (b) A tax adopted for a district under this section for
2-19 financing the operation of the district may be decreased in
2-20 increments of one-eighth of one percent by order of the board of
2-21 directors of the district.

2-22 (c) The governing body of the municipality that proposed the
2-23 creation of the crime control and prevention district may call an
2-24 election in the district on the question of decreasing the tax rate
2-25 in increments of one-eighth of one percent in the district. At the
2-26 election, the ballot shall be printed to provide for voting for or
2-27 against the following proposition: "The decrease of the
2-28 _____ Crime Control and Prevention District sales
2-29 and use tax rate to _____ percent."

2-30 (d) The rate of a tax adopted for a district under this
2-31 section may be increased in increments of one-eighth of one
2-32 percent, not to exceed a total tax rate of one-half percent for
2-33 financing the operation of the crime control and prevention
2-34 district, by order of the board of directors of the crime control
2-35 and prevention district if approved by a majority of the voters
2-36 voting at an election called by the board and held in the district
2-37 on the question of increasing the tax rate. At the election, the
2-38 ballot shall be printed to provide for voting for or against the
2-39 following proposition: "The increase of the _____ Crime
2-40 Control and Prevention District sales and use tax rate to
2-41 _____ percent." If there is an increase or decrease under
2-42 this subsection in the rate of a tax imposed under this section, the
2-43 new rate takes effect on the first day of the next calendar quarter
2-44 after the expiration of one calendar quarter after the comptroller
2-45 receives notice of the increase or decrease. However, if the
2-46 comptroller notifies the president of the board of directors of the
2-47 district in writing within 10 days after receipt of the
2-48 notification that the comptroller requires more time to implement
2-49 reporting and collection procedures, the comptroller may delay
2-50 implementation of the rate change for another calendar quarter, and
2-51 the new rate takes effect on the first day of the next calendar
2-52 quarter following the elapsed quarter.

2-53 (e) The comptroller shall remit to the municipality amounts
2-54 collected at the rate imposed under this section as part of the
2-55 regular allocation of municipal tax revenue collected by the
2-56 comptroller if the district is composed of the entire municipality.
2-57 The comptroller shall, if the district is composed of an area less
2-58 than the entire municipality, remit that amount to the district.
2-59 Retailers may not be required to use allocation and reporting
2-60 procedures in the collection of taxes under this section that are
2-61 different from the procedures that retailers use in the collection
2-62 of other sales and use taxes under this chapter. An item,
2-63 transaction, or service that is taxable in a municipality under a
2-64 sales or use tax authorized by another section of this chapter is
2-65 taxable under this section. An item, transaction, or service that
2-66 is not taxable in a municipality under a sales or use tax authorized
2-67 by another section of this chapter is not taxable under this
2-68 section.

2-69 (f) If, in a municipality in which a crime control and

3-1 prevention district is composed of the whole municipality, a
3-2 municipal sales and use tax or a municipal sales and use tax rate
3-3 increase for the purpose of financing a crime control and
3-4 prevention district is approved, the municipality is responsible
3-5 for distributing to the district that portion of the municipal
3-6 sales and use tax revenue received from the comptroller that is to
3-7 be used for the purposes of financing the crime control and
3-8 prevention district. Not later than the 10th day after the date the
3-9 municipality receives money under this section from the
3-10 comptroller, the municipality shall make the distribution in the
3-11 proportion that the crime control and prevention portion of the tax
3-12 rate bears to the total sales and use tax rate of the municipality.
3-13 The amounts distributed to a crime control and prevention district
3-14 are not considered to be additional municipal sales and use tax
3-15 revenue for the purpose of property tax reduction and computation
3-16 of the municipal tax rate under Section 26.041.

3-17 (g) For purposes of the tax imposed under this section, a
3-18 reference in this chapter to the municipality as the territory in
3-19 which the tax or an incident of the tax applies means only the
3-20 territory located in the crime control and prevention district, if
3-21 that district is composed of an area less than an entire
3-22 municipality.

3-23 (h) The comptroller may adopt rules and the governing body
3-24 of the municipality may adopt orders to administer this section.

3-25 SECTION 6. (a) In a crime control and prevention district
3-26 created by a municipality before the effective date of this Act, an
3-27 item, transaction, or service that is taxable in the municipality
3-28 under a sales or use tax authorized by Chapter 321, Tax Code, is
3-29 taxable under Section 321.108, Tax Code, as added by this Act, for
3-30 the district, and an item, transaction, or service that is not
3-31 taxable in the municipality under a sales or use tax authorized by
3-32 Chapter 321, Tax Code, is not taxable under Section 321.108, Tax
3-33 Code, as added by this Act, for the district.

3-34 (b) The comptroller shall implement any change necessary as
3-35 a result of the change in law made by this Act on or before January
3-36 1, 2008.

3-37 SECTION 7. This Act takes effect immediately if it receives
3-38 a vote of two-thirds of all the members elected to each house, as
3-39 provided by Section 39, Article III, Texas Constitution. If this
3-40 Act does not receive the vote necessary for immediate effect, this
3-41 Act takes effect September 1, 2007.

3-42 * * * * *