

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 80TH LEGISLATIVE REGULAR SESSION

May 2, 2007

TO: Honorable Steve Ogden, Chair, Senate Committee on Finance

FROM: John S. O'Brien, Director, Legislative Budget Board

IN RE: SB257 by Carona (Relating to limitations on the combined rates of transit and other local sales and use taxes.), **As Introduced**

According to the Comptroller of Public Accounts, the fiscal impact of the bill cannot be estimated as the number of entities that would choose to enact new or expand current local sales and use taxes or when new taxes would take effect is unknown.

The bill would amend various chapters of the Tax Code, the Transportation Code, the Health and Safety Code, the Local Government Code, the Special District Local Laws Code, and the Development Corporation Act, as well as repeal Section 321.1025 of the Tax Code and Sections 334.085(b-1) and 334.0855 of the Local Government Code to change the limitations on the combined rates of transit and other sales and use taxes.

Under current law, local sales tax jurisdictions may not adopt or increase a sales tax if the new rate would cause the total of all local sales taxes (including transit sales and uses taxes) to exceed two percent at any location in the jurisdiction. Under the provisions of the bill, the two percent cap on the combined rates of local sales and use taxes would be calculated excluding transit taxes; however, a separate one percent cap on the total combined transit sales taxes in any location in the service area would be authorized.

According to the Comptroller of Public Accounts, the bill would create separate caps for transit sales and use taxes at one percent and for all other local sales and use taxes at two percent; which would result in a total cap of three percent if the maximum of all types of local sales and use taxes were adopted in an area. The Comptroller reports that under the provisions of the bill, the options for additional sales and use taxes would vary depending upon the current mix of sales and use taxes imposed. For example, if an area is currently at the two percent cap, but does not have a transit sales and use tax, it could adopt a maximum one percent transit sales and use tax. However, if an area is at the two percent cap and has a one percent transit sales and use tax, it could adopt up to a one percent sales and use tax for the municipality, county, or other special district as long as the tax rates statutorily available for each type of taxing entity were not exceeded.

The bill, as written, identifies many of the taxing entities eligible to adopt a local sales and use tax that are subject to the two percent cap; however, crime control and prevention districts, municipal development districts, and county assistance districts are not mentioned. According to the Comptroller, it is unclear how the calculation of the combined sales and use tax and transit sales and use tax caps would apply in areas of the state that have adopted taxes to support these districts.

The bill would take effect immediately upon enactment if it receives two-thirds vote in each house; otherwise, it would take effect September 1, 2007.

Local Government Impact

According to the Comptroller of Public Accounts, the local government fiscal impact of the bill cannot be estimated as the number of entities that would choose to enact new or expand current local sales and use taxes or when new taxes would take effect is unknown.

Source Agencies: 304 Comptroller of Public Accounts

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