

LEGISLATIVE BUDGET BOARD

Austin, Texas

FISCAL NOTE, 80TH LEGISLATIVE REGULAR SESSION

May 14, 2007

TO: Honorable Fred Hill, Chair, House Committee on Local Government Ways & Means

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

IN RE: SB407 by Eltife (Relating to the authority of the voters of a municipality or a county to adopt a one-quarter cent sales and use tax in the municipality or county to provide property tax relief.), **As Engrossed**

No significant fiscal implication to the State is anticipated.

The bill would add Chapter 326 to the Tax Code to allow municipalities and counties to adopt sales and use tax for property tax relief. Under the provisions of the bill, a sales and use tax rate of one-fourth of one percent would be allowed for property tax relief with voter approval, and it would be excluded from the calculation of the statutory two percent cap on local sales and use tax rates. The bill would also establish the election procedures to adopt or abolish the sales tax rate.

The bill would amend Tax Code Chapters 26 and 31 to make conforming changes relating to the calculation of the effective property tax rate and rollback rate and what information must be provided on the tax bill.

According to the Comptroller of Public Accounts, municipalities and counties would have the ability to adopt and later abolish the sales and use tax at any time after September 1, 2007.

A county with a population of more than 280,000 and less than 300,000 would not be able to hold an election under the provisions of the bill before January 1, 2008.

The bill would take effect September 1, 2007. The provisions related to calculating the effective tax rate and rollback rate and the information provided on the tax bill would take effect January 1, 2008.

Local Government Impact

According to the Comptroller of Public Accounts, the fiscal impact on units of local government cannot be estimated as the number of municipalities and counties that would adopt a sales and use tax for property tax relief and the timing of such actions is unknown.

Source Agencies: 304 Comptroller of Public Accounts

LBB Staff: JOB, CT, SD, EB