

# SENATE AMENDMENTS

2<sup>nd</sup> Printing

By: Garcia, Herrero

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.

ADOPTED

MAY 22 2007

*Leta Starn*  
Secretary of the Senate

By: Hinojosa

H.B. No. 3417

Substitute the following for H.B. No. 3417:

By: Mark Lee Nichols

C.S. H.B. No. 3417

A BILL TO BE ENTITLED

AN ACT

relating to the counties authorized to create a crime control and prevention district and 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. Section 363.051(a), Local Government Code, is amended to read as follows:

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

(1) county:

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

(B) that:

(i) does not border the United Mexican States;

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

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

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

SECTION 2. 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

1 imposed under Subchapter B, Chapter 321, Tax Code, or Subchapter B,  
2 Chapter 323, Tax Code, may be only:

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

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

11 SECTION 3. Section 363.154(e), Local Government Code, is  
12 amended to read as follows:

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

17 SECTION 4. Section 363.302(c), Local Government Code, is  
18 amended to read as follows:

19 (c) If on the date that the district is dissolved the  
20 district has outstanding short-term or long-term liabilities, the  
21 board shall, not later than the 30th day after the date of the  
22 dissolution, adopt a resolution certifying each outstanding  
23 short-term and long-term liability. The political subdivision that  
24 created the district shall assume the outstanding short-term and  
25 long-term liabilities. The political subdivision shall collect the  
26 sales and use tax under Section 321.108 or 323.105, Tax Code, for  
27 the remainder of the calendar year and may by resolution of its



1 governing body continue to collect the tax for an additional  
2 calendar year if the revenue from the tax is needed to retire  
3 liabilities of the district that were assumed by the political  
4 subdivision. The governing body shall notify the comptroller of  
5 this continuation not later than the 60th day before the date the  
6 tax would otherwise expire. Any tax collected after the  
7 liabilities have been retired shall be transferred or conveyed as  
8 provided by Subsection (a).

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

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

22 (b) A tax adopted for a district under this section for  
23 financing the operation of the district may be decreased in  
24 increments of one-eighth of one percent by order of the board of  
25 directors of the district.

26 (c) The governing body of the municipality that proposed the  
27 creation of the crime control and prevention district may call an

1 election in the district on the question of decreasing the tax rate  
2 in increments of one-eighth of one percent in the district. At the  
3 election, the ballot shall be printed to provide for voting for or  
4 against the following proposition: "The decrease of the  
5 \_\_\_\_\_ Crime Control and Prevention District sales  
6 and use tax rate to \_\_\_\_\_ percent."

7 (d) The rate of a tax adopted for a district under this  
8 section may be increased in increments of one-eighth of one  
9 percent, not to exceed a total tax rate of one-half percent for  
10 financing the operation of the crime control and prevention  
11 district, by order of the board of directors of the crime control  
12 and prevention district if approved by a majority of the voters  
13 voting at an election called by the board and held in the district  
14 on the question of increasing the tax rate. At the election, the  
15 ballot shall be printed to provide for voting for or against the  
16 following proposition: "The increase of the \_\_\_\_\_ Crime  
17 Control and Prevention District sales and use tax rate to  
18 \_\_\_\_\_ percent." If there is an increase or decrease under  
19 this subsection in the rate of a tax imposed under this section, the  
20 new rate takes effect on the first day of the next calendar quarter  
21 after the expiration of one calendar quarter after the comptroller  
22 receives notice of the increase or decrease. However, if the  
23 comptroller notifies the president of the board of directors of the  
24 district in writing within 10 days after receipt of the  
25 notification that the comptroller requires more time to implement  
26 reporting and collection procedures, the comptroller may delay  
27 implementation of the rate change for another calendar quarter, and

1 the new rate takes effect on the first day of the next calendar  
2 quarter following the elapsed quarter.

3 (e) The comptroller shall remit to the municipality amounts  
4 collected at the rate imposed under this section as part of the  
5 regular allocation of municipal tax revenue collected by the  
6 comptroller if the district is composed of the entire municipality.  
7 The comptroller shall, if the district is composed of an area less  
8 than the entire municipality, remit that amount to the district.  
9 Retailers may not be required to use allocation and reporting  
10 procedures in the collection of taxes under this section that are  
11 different from the procedures that retailers use in the collection  
12 of other sales and use taxes under this chapter. An item,  
13 transaction, or service that is taxable in a municipality under a  
14 sales or use tax authorized by another section of this chapter is  
15 taxable under this section. An item, transaction, or service that  
16 is not taxable in a municipality under a sales or use tax authorized  
17 by another section of this chapter is not taxable under this  
18 section.

19 (f) If, in a municipality in which a crime control and  
20 prevention district is composed of the whole municipality, a  
21 municipal sales and use tax or a municipal sales and use tax rate  
22 increase for the purpose of financing a crime control and  
23 prevention district is approved, the municipality is responsible  
24 for distributing to the district that portion of the municipal  
25 sales and use tax revenue received from the comptroller that is to  
26 be used for the purposes of financing the crime control and  
27 prevention district. Not later than the 10th day after the date the

1 municipality receives money under this section from the  
2 comptroller, the municipality shall make the distribution in the  
3 proportion that the crime control and prevention portion of the tax  
4 rate bears to the total sales and use tax rate of the municipality.  
5 The amounts distributed to a crime control and prevention district  
6 are not considered to be additional municipal sales and use tax  
7 revenue for the purpose of property tax reduction and computation  
8 of the municipal tax rate under Section 26.041.

9 (g) For purposes of the tax imposed under this section, a  
10 reference in this chapter to the municipality as the territory in  
11 which the tax or an incident of the tax applies means only the  
12 territory located in the crime control and prevention district, if  
13 that district is composed of an area less than an entire  
14 municipality.

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

17 SECTION 6. (a) In a crime control and prevention district  
18 created by a municipality before the effective date of this Act, an  
19 item, transaction, or service that is taxable in the municipality  
20 under a sales or use tax authorized by Chapter 321, Tax Code, is  
21 taxable under Section 321.108, Tax Code, as added by this Act, for  
22 the district, and an item, transaction, or service that is not  
23 taxable in the municipality under a sales or use tax authorized by  
24 Chapter 321, Tax Code, is not taxable under Section 321.108, Tax  
25 Code, as added by this Act, for the district.

26 (b) The comptroller shall implement any change necessary as  
27 a result of the change in law made by this Act on or before January

1 1, 2008.

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

**LEGISLATIVE BUDGET BOARD**  
Austin, Texas

**FISCAL NOTE, 80TH LEGISLATIVE REGULAR SESSION**

May 18, 2007

**TO:** Honorable Royce West, Chair, Senate Committee on Intergovernmental Relations

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

**IN RE:** **HB3417** by Garcia (Relating to the counties authorized to create a crime control and prevention district and to the sales and use tax imposed by municipal crime control and prevention districts.), **Committee Report 2nd House, Substituted**

<b>No fiscal implication to the State is anticipated.</b>
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The bill would amend the Local Government Code to add a county that does not border the United Mexican States, is adjacent to a county with a population of 500,000 or more that borders the United Mexican States, and has a population of 5,000 or more to those counties authorized to create a crime control and prevention district. The criteria would apply only to Willacy County.

The bill would amend various sections of the Local Government Code and create a new section of the Tax Code, relating to the sales and use tax imposed by municipal crime control and prevention districts. The bill would create a separate section in Chapter 321 of the Tax Code to govern the crime control and prevention districts that are created in municipalities and make conforming changes in Chapter 363 of the Local Government Code.

In regards to the administration of the new section, the bill would allow the governing body of the municipality to adopt orders and the Comptroller of Public Accounts to adopt rules. Furthermore, the bill would require the Comptroller to implement any changes necessary as a result of the bill on or before January 1, 2008.

According to the Comptroller, the districts' tax collections would not be expected to change as the tax rates that could be adopted would remain the same and assuming that the districts' tax would not apply to residential electricity or gas services.

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**

No fiscal implication to units of local government is anticipated.

**Source Agencies:** 304 Comptroller of Public Accounts

**LBB Staff:** JOB, DB, CT, SD, EB

**LEGISLATIVE BUDGET BOARD**

**Austin, Texas**

**FISCAL NOTE, 80TH LEGISLATIVE REGULAR SESSION**

**May 17, 2007**

**TO:** Honorable Royce West, Chair, Senate Committee on Intergovernmental Relations

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

**IN RE:** **HB3417** by Garcia (Relating to the sales and use tax imposed by municipal crime control and prevention districts.), **As Engrossed**

**No fiscal implication to the State is anticipated.**

The bill would amend various sections of the Local Government Code and create a new section of the Tax Code, relating to the sales and use tax imposed by municipal crime control and prevention districts. The bill would create a separate section in Chapter 321 of the Tax Code to govern the crime control and prevention districts that are created in municipalities and make conforming changes in Chapter 363 of the Local Government Code.

In regards to the administration of the new section, the bill would allow the governing body of the municipality to adopt orders and the Comptroller of Public Accounts to adopt rules. Furthermore, the bill would require the Comptroller to implement any changes necessary as a result of the bill on or before January 1, 2008.

According to the Comptroller, the districts' tax collections would not be expected to change as the tax rates that could be adopted would remain the same and assuming that the districts' tax would not apply to residential electricity or gas services.

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**

No fiscal implication to units of local government is anticipated.

**Source Agencies:** 304 Comptroller of Public Accounts

**LBB Staff:** JOB, DB, CT, SD, EB

**LEGISLATIVE BUDGET BOARD**  
Austin, Texas

**FISCAL NOTE, 80TH LEGISLATIVE REGULAR SESSION**

**April 13, 2007**

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

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

**IN RE:** **HB3417** by Garcia (Relating to the sales and use tax imposed by municipal crime control and prevention districts.), **As Introduced**

**No fiscal implication to the State is anticipated.**

The bill would amend various sections of the Local Government Code and create a new section of the Tax Code, relating to the sales and use tax imposed by municipal crime control and prevention districts. The bill would create a separate section in Chapter 321 of the Tax Code to govern the crime control and prevention districts that are created in municipalities and make conforming changes in Chapter 363 of the Local Government Code.

In regards to the administration of the new section, the bill would allow the governing body of the municipality to adopt orders and the Comptroller of Public Accounts to adopt rules. Furthermore, the bill would require the Comptroller to implement any changes necessary as a result of the bill on or before January 1, 2008.

According to the Comptroller, the districts' tax collections would not be expected to change as the tax rates that could be adopted would remain the same and assuming that the districts' tax would not apply to residential electricity or gas services.

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**

No fiscal implication to units of local government is anticipated.

**Source Agencies:** 304 Comptroller of Public Accounts

**LBB Staff:** JOB, CT, SD, EB