

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 81ST LEGISLATIVE REGULAR SESSION

May 4, 2009

TO: Honorable Rene Oliveira, Chair, House Committee on Ways & Means

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

IN RE: HB1377 by Thompson (Relating to the procedure for reallocating local sales and use taxes.),
Committee Report 1st House, Substituted

Estimated Two-year Net Impact to General Revenue Related Funds for HB1377, Committee Report 1st House, Substituted: a negative impact of (\$8,578,666) through the biennium ending August 31, 2011.

General Revenue-Related Funds, Five-Year Impact:

Fiscal Year	Probable Net Positive/(Negative) Impact to General Revenue Related Funds
2010	(\$6,628,348)
2011	(\$1,950,318)
2012	(\$1,950,318)
2013	(\$1,950,318)
2014	(\$1,950,318)

All Funds, Five-Year Impact:

Fiscal Year	Probable Savings/(Cost) from <i>General Revenue Fund</i> 1	Change in Number of State Employees from FY 2009
2010	(\$6,628,348)	31.0
2011	(\$1,950,318)	31.0
2012	(\$1,950,318)	31.0
2013	(\$1,950,318)	31.0
2014	(\$1,950,318)	31.0

Fiscal Analysis

This bill would amend Chapters 321, 322, and 323 of the Tax Code, regarding local sales taxes levied by municipalities, special purpose taxing authorities, and counties.

The bill would specify the process by which the Comptroller may reallocate local sales and use tax revenue and the process by which local jurisdictions could protest and appeal the reallocation. The bill would apply only if the Comptroller intends to reallocate an amount that is at least equal to the lesser of \$200,000 or an amount equal to five percent of the revenue allocated to a local jurisdiction during the calendar year preceding the calendar year in which the reallocation would be made.

The Comptroller would be required to provide written notice to a local jurisdiction when it is determined that local sales tax revenue has been allocated to that jurisdiction incorrectly. The local jurisdiction receiving this notice could protest the determination and request a hearing on whether the original allocation of tax revenue was incorrect. The local jurisdiction could appeal the decision of the hearing in a Travis County district court.

A reallocation could be made only if the local jurisdiction that originally received the revenue received notification of the reallocation not later than the fourth anniversary of the date the jurisdiction originally received the revenue.

The bill would take effect July 1, 2009, assuming that it received the requisite two-thirds majority votes in both houses of the Legislature. Otherwise, it would take effect September 1, 2009.

Methodology

The Comptroller's office estimates administrative costs of \$2 million to hire 31 additional FTEs for every fiscal year starting in fiscal year 2010. Personnel would be required in the Revenue Accounting, Tax Policy, and Audit divisions.

Technology

In fiscal 2010, the administrative cost estimate also reflects \$4.6 million in required technology costs.

Local Government Impact

The bill would specify the process by which local jurisdictions could protest and appeal the reallocation of local sales tax revenue. Changes in local sales tax allocations to cities, counties, transportation authorities, and/or special purpose districts resulting from an outcome of these protests and appeals is not known. The fiscal impact of these provisions on units of local government cannot be estimated.

Source Agencies: 304 Comptroller of Public Accounts

LBB Staff: JOB, MN, DB, SD