

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 81ST LEGISLATIVE REGULAR SESSION

April 21, 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 reallocation of local sales and use taxes.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for HB1377, As Introduced: 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

The 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 of Public Accounts may reallocate local sales and use tax revenue and the process by which local jurisdictions could protest and appeal the reallocation. The Comptroller would be required to provide written notice to a local jurisdiction when it is determined that local sales tax revenue have 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. The Comptroller could not reallocate local sales tax revenue after the first anniversary of the date a local jurisdiction originally received the revenue.

The bill would amend Chapter 380 of the Local Government Code to prohibit a municipality from making loans or grants for municipal planning and development purposes using sales tax revenue that was reallocated to the jurisdiction.

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. The results of these protests and appeals are not known. The fiscal impact of these provisions on units of local government cannot be estimated.

Additionally, the bill would prohibit the Comptroller from reallocating local sales tax revenue after the first anniversary of the date a local jurisdiction received the revenue. Local sales tax revenue that was identified on an amended sales tax return or discovered by an audit to be allocated incorrectly could not be reallocated to the appropriate local jurisdiction after this anniversary. The amounts that could no longer be reallocated are not known. The fiscal impact of these provisions on units of local government also cannot be estimated.

Source Agencies: 304 Comptroller of Public Accounts

LBB Staff: JOB, MN, DB, SD