

## **BILL ANALYSIS**

C.S.H.B. 3159  
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Ways & Means  
Committee Report (Substituted)

### **BACKGROUND AND PURPOSE**

Interested parties note that, under current law, when a city annexes territory served by an emergency services district but does not provide emergency services, the city risks being unable to collect sales tax revenue in the newly annexed territory.

C.S.H.B. 3159 seeks to address this problem and allow for a more equitable distribution of sales tax revenue in territory annexed by a municipality that is also served by an emergency services district by making certain statutory changes relating to an agreement to allocate sales and use tax after annexation and to the provision of emergency services in the annexed area.

### **RULEMAKING AUTHORITY**

It is the committee's opinion that this bill does not expressly grant any additional rulemaking authority to a state officer, department, agency, or institution.

### **ANALYSIS**

C.S.H.B. 3159 amends the Health and Safety Code to authorize a municipality and an emergency services district, before or after the municipality annexes for full purposes part of a district that imposes a sales and use tax without removing the annexed area from the district, to agree on an allocation between the municipality and the district of revenue from the sales and use tax imposed in the annexed area. The bill requires the comptroller of public accounts, under policies and procedures that the comptroller considers reasonable, to pay the amounts agreed to between those entities.

C.S.H.B. 3159 provides that a municipality that enters into an allocation agreement is not required to provide emergency services in the annexed territory and clarifies that the bill's provisions regarding provision of those services control in the case of a conflict with Local Government Code provisions relating to the provision of services to an annexed area or with any other law. The bill establishes that the Tax Code provision relating to withholding part of a municipality's monthly sales and use tax allocation following a reduction in the sales and use tax rate of a local government entity located in or annexed by the municipality does not apply in the case of an agreement made under the bill's provisions.

### **EFFECTIVE DATE**

September 1, 2013.

### **COMPARISON OF ORIGINAL AND SUBSTITUTE**

While C.S.H.B. 3159 may differ from the original in minor or nonsubstantive ways, the following comparison is organized and highlighted in a manner that indicates the substantial differences between the introduced and committee substitute versions of the bill.

INTRODUCED

SECTION 1. Section 775.0753(c), Health and Safety Code, is amended to read as follows:

(c) Except as provided by Sections 775.0754 and 775.0755, the [The] provisions of Section 321.102, Tax Code, governing the application of a municipal sales and use tax in the event of a change in the boundaries of a municipality apply to the application of a tax imposed under this chapter in the event of a change in the district's boundaries.

SECTION 2. Subchapter E, Chapter 775, Health and Safety Code, is amended by adding Sections 775.0754 and 775.0755 to read as follows:

Sec. 775.0754. SALES AND USE TAX AGREEMENT WITH MUNICIPALITY AFTER ANNEXATION. (a) This section applies when:

(1) a municipality annexes for full purposes part of a district that imposes a sales and use tax; and

(2) the annexed area is not removed from the district.

(b) The municipality and the district may, before or after the annexation, agree on an allocation between the municipality and the district of revenue from the sales and use tax imposed in the annexed area.

(c) Under policies and procedures that the comptroller considers reasonable, the comptroller shall pay the amounts agreed to between the municipality and the district.

(d) A municipality that enters into an agreement under this section is not required to provide emergency services in that annexed territory. To the extent of a conflict between this subsection and Section 43.056, Local Government Code, or any other law, this subsection controls.

(e) Section 321.102(f), Tax Code, does not apply if the municipality and the district enter into an agreement under this section.

Sec. 775.0755. SALES AND USE TAX ALLOCATION BY COMPTROLLER AFTER MUNICIPAL ANNEXATION. (a) This section applies when:

(1) a municipality annexes for full purposes part of a district that imposes a sales and use tax;

(2) the annexed area is not removed from

HOUSE COMMITTEE SUBSTITUTE

SECTION 1. Substantially the same as introduced version.

SECTION 2. Subchapter E, Chapter 775, Health and Safety Code, is amended by adding Section 775.0754 to read as follows:

Sec. 775.0754. Same as introduced version.

No equivalent provision.

the district; and

(3) the municipality and the district do not enter into an agreement under Section 775.0754(b).

(b) The sales and use tax rate for the municipality and the sales and use tax rate for the district in the annexed area shall both be reduced in an amount equal to one-half of the amount that the combined sales and use tax rate in the area from all sources exceeds two percent.

(c) Under policies and procedures that the comptroller considers reasonable, the comptroller shall pay the revenue from the sales and use tax imposed in the annexed area based on the tax rates determined under this section.

(d) A municipality that is a party to an allocation under this section is not required to provide emergency services in that annexed territory. To the extent of a conflict between this subsection and Section 43.056, Local Government Code, or any other law, this subsection controls.

(e) Section 321.102(f), Tax Code, does not apply to an allocation made under this section.

SECTION 3. This Act takes effect September 1, 2013.

SECTION 3. Same as introduced version.