**BILL ANALYSIS**

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| Senate Research Center | C.S.H.B. 4748 |
| 86R33311 JXC-D | By: Dutton (Miles) |
|  | Intergovernmental Relations |
|  | 5/20/2019 |
|  | Committee Report (Substituted) |

**AUTHOR'S / SPONSOR'S STATEMENT OF INTENT**

It is noted that municipal management districts or (management districts) have been used in the Greater Houston area since the early 1980s to allow commercial property owners to work together to supplement city and county services and improvements. Management districts may promote neighborhood revitalization, which can include landscaping and beautification of esplanades as well as construction of sidewalks and installation of additional lighting and other pedestrian improvements.

Generally, management districts finance these services and improvements through the levy of assessments on commercial property, or in some instances, ad valorem taxes, subject to following appropriate procedures. Management districts may also levy sales and use taxes, or even hotel occupancy taxes, which require authorization under a special law.

H.B. 4748 seeks to allow the Near Northside Management District, located in Kashmere Gardens, near Houston, Texas, the ability to adopt a sales and use tax if authorized by a majority of their voters in that district voting at an election held for that sole purpose.

The committee substitute to H.B. 4747 changes the number of necessary signatures on a petition for the district to finance a service or improvement project, and also imposes additional requirements such that the combined sales and use tax rate, when in an area that overlaps with a metropolitan rapid transit authority, will not exceed two percent.

C.S.H.B. 4748 amends current law relating to the authority of the Near Northside Management District to impose a sales and use tax and finance a project or service.

**RULEMAKING AUTHORITY**

This bill does not expressly grant any additional rulemaking authority to a state officer, institution, or agency.

**SECTION BY SECTION ANALYSIS**

SECTION 1. Amends Section 3905.151, Special District Local Laws Code, as follows:

Sec. 3905.151. PETITION REQUIRED FOR FINANCING SERVICES AND IMPROVEMENTS. (a) Makes no changes to this subsection.

(b) Deletes existing Subdivisions (1)–(2). Requires the petition to be signed by the owners of at least 60 percent of the assessed value of real property in the district according to the most recent certified tax appraisal roll for the county, rather than the owners of a majority of the assessed value of real property in the district according to the most recent certified tax appraisal roll for the county.

Deletes existing text requiring that a petition be signed by at least 25 owners of land in the district, if more than 25 persons own property in the district according to the most recent certified tax appraisal roll for the county.

SECTION 2. Amends Chapter 3905, Special District Local Laws Code, by adding Subchapter F, as follows:

SUBCHAPTER F. SALES AND USE TAX

Sec. 3905.251. APPLICABILITY OF CERTAIN TAX CODE PROVISIONS. (a) Provides that Chapter 321 (Municipal Sales and Use Tax Act), Tax Code, governs the imposition, computation, administration, enforcement, and collection of the sales and use tax authorized by this subchapter (General Provisions) except to the extent Chapter 321, Tax Code, is inconsistent with this chapter (Near Northside Management District).

(b) Provides that, for the purposes of this subchapter, a reference in Chapter 321, Tax Code, to a municipality or the governing body of a municipality is a reference to the Near Northside Management District (district) or the director's board of directors (board), respectively.

Sec. 3905.252. ELECTION; ADOPTION OF TAX. (a) Authorizes the district to adopt a sales and use tax if authorized by a majority of the voters of the district voting at an election held for that purpose.

(b) Authorizes the board by order to call an election to authorize the adoption of the sales and use tax. Authorizes the election to be held on any uniform election date and in conjunction with any other district election.

(c) Requires the district to provide notice of the election and to hold the election in the manner prescribed by Chapter 49 (Provisions Applicable to All Districts), Water Code, for district elections.

(d) Requires the ballot to be printed to provide for voting for or against the proposition and include certain language.

Sec 3905.253. SALES AND USE TAX RATE. (a) Requires the board, after the date the results are declared of an election held under Section 3905.252 at which the voters authorized imposition of a tax, to provide by resolution or order the initial rate of the tax, which is required to be in one or more increments of one-eighth of one percent and is prohibited from exceeding the maximum rate authorized at the election.

(b) Authorizes the board, after the authorization of a tax under Section 3905.252, to decrease the rate of the tax by one or more increments of one-eights of one percent.

(c) Prohibits the board from decreasing the rate of the tax if the decrease would impair the repayment of any outstanding debt or obligation payable from the tax.

(d) Authorizes the board to by resolution or order increase the rate of the tax if the increase is approved at an election held in the manner prescribed by Section 3905.252. Authorizes the board to increase the rate of the tax by one or more increments of one-eights of one percent.

Sec. 3905.254. ADDITIONAL RATE REQUIREMENTS. (a) Prohibits the rate of a sales and use tax imposed under this subchapter, except as provided by Subsection (c), from resulting in a combined rate of all sales and use taxes imposed by political subdivisions having territory in the district exceeding two percent at any location in the district.

(b) Requires the board, in determining whether the combined sales and use tax rate would exceed two percent at any location in the district, to include:

(1) any sales and use tax imposed by a political subdivision whose territory overlaps all or part of the district;

(2) any sales and use tax to be imposed by the city or the county as a result of an election held on the same date as the election held under Section 3905.252; and

(3) any increase to an existing sales and use tax imposed by the city or the county as a result of an election held on the same date as the election held under Section 3905.252.

(c) Provides that if the adoption or increase of a tax under this subchapter would result in a combined tax rate of more than two percent in any location in the district that is also in the territory of a metropolitan rapid transit authority that imposes a sales and use tax under Chapter 451 (Metropolitan Rapid Transit Authorities), Transportation Code, the election to approve or increase the tax under this subchapter is to be treated for all purposes as an election to reduce the tax rate of the metropolitan rapid transit authority in the district to the higher rate that will not result in a combined tax rate of more than two percent in any location in the district. Requires the ballot at an election to impose or increase the tax to clearly state that the adoption or increase of the tax will result in a reduction of the tax rate of the metropolitan rapid transit authority in the district. Prohibits the district from adopting a tax rate under this subchapter that results in the reduction of the tax rate of the metropolitan rapid transit authority to zero.

(d) Authorizes the metropolitan rapid transit authority, after an election described by Subsection (c) at which the tax rate of the metropolitan rapid transit authority is decreased, to designate the territory of the authority in the district as a subregion in which the authority provides services according to the proportion of sales and use tax revenue collected by the authority in the subregion compared to revenue collected in the rest of the territory of the authority.

(e) Provides that the rate of the sales and use tax imposed by the metropolitan rapid transit authority in the district is increased without further action of the board of the authority, the voters of the authority, or the district on the date on which the tax imposed by the district under this subchapter is decreased or expires, but only to the extent that:

(1) any tax imposed by the authority was reduced under this section when the tax imposed by the district was adopted or increased; and

(2) the increased rate complies with other law applicable to the authority's tax rate.

Sec. 3905.255. NOTIFICATION OF RATE CHANGE. Requires the board to notify the comptroller of public accounts of the State of Texas (comptroller) of any changes made to the tax rate under this subchapter in the same manner the municipal secretary provides notice to the comptroller under Section 321.405(b) (relating to requiring the municipal secretary to send to the comptroller by United States certified or registered mail a certified copy of the resolution or the ordinance along with a map of the municipality clearly showing its boundaries), Tax Code.

Sec. 3905.256. USE OF REVENUE. Provides that the revenue from the sales and use tax imposed under this subchapter is for the use and benefit of the district and is authorized to be used for any district purpose. Authorizes the district to pledge all or part of the revenue to the payment of bonds, notes, or other obligations, and authorizes that pledge of revenue to be in combination with other revenue, including tax revenue, available to the district.

Sec. 3905.257. ABOLITION OF TAX. (a) Authorizes the board, except as provided by Subsection (b), to abolish the tax imposed under this subchapter without an election.

(b) Prohibits the board from abolishing the tax imposed under this subchapter if the district has any outstanding debt or obligation secured by the tax, and repayment of the debt or obligation would be impaired by the abolition of the tax.

(c) Requires the board, if the board abolishes the tax, to notify the comptroller of that action in the same manner the municipal secretary provides notice to the comptroller under Section 321.405(b), Tax Code.

(d) Provides that, if the board abolishes the tax or decreases the tax rate to zero, a new election to authorize a sales and use tax is required to be held under Section 3905.252 before the district is authorized to subsequently impose the tax.

SECTION 3. Provides that all requirements of the constitution and laws of this state and the rules and procedures of the legislature with respect to the notice, introduction, and passage of this Act have been fulfilled and accomplished.

SECTION 4. Effective date: upon passage or September 1, 2019.