

By: Krause

H.B. No. 648

A BILL TO BE ENTITLED

AN ACT

relating to the substitution of a local sales and use tax for property taxes imposed by certain local governments; authorizing the imposition of a tax.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF TEXAS:

SECTION 1. Subtitle C, Title 3, Tax Code, is amended by adding Chapter 328 to read as follows:

CHAPTER 328. SUPPLEMENTAL LOCAL SALES AND USE TAX

Sec. 328.001. DEFINITIONS. In this chapter:

(1) "Lost property tax revenue" means the estimated amount of property tax revenue to be received by a qualifying local government for the tax year in which the local government adopts an ordinance or order described by Subdivision (2)(A), multiplied by 1.08.

(2) "Qualifying local government" means a municipality or county that:

(A) before June 30 of a year:

(i) adopts an ordinance or order providing that, beginning January 1 of the following year, the local government will not impose a property tax and instead elects to impose a supplemental sales and use tax; and

(ii) forwards a certified copy of the ordinance or order described by Subparagraph (i) to the comptroller; or

1                   (B) in a preceding year, adopted and forwarded to  
2 the comptroller an ordinance or order described by Paragraph (A)  
3 but has not subsequently adopted an ordinance or order abolishing  
4 the supplemental sales and use tax imposed by the government.

5                   (3) "Supplemental sales and use tax" means a sales and  
6 use tax authorized by this chapter.

7                   Sec. 328.002. APPLICABILITY OF OTHER LAW. (a) Except as  
8 otherwise provided by this chapter:

9                   (1) Chapter 321 applies to a supplemental sales and  
10 use tax imposed by a municipality; and

11                   (2) Chapter 323 applies to a supplemental sales and  
12 use tax imposed by a county.

13                   (b) The following provisions do not apply to a supplemental  
14 sales and use tax:

15                   (1) Sections 321.101 and 323.101;

16                   (2) Subchapter E, Chapter 321, Subchapter E, Chapter  
17 323, and the other provisions of Chapters 321 and 323 relating to an  
18 election;

19                   (3) Sections 321.506-321.508; and

20                   (4) Section 323.505.

21                   (c) A supplemental sales and use tax is not an additional  
22 sales and use tax for purposes of Section 321.101 or any other law.

23                   Sec. 328.003. TAX AUTHORIZED. (a) A qualifying local  
24 government by adoption of an ordinance or order may adopt,  
25 increase, reduce, or abolish the supplemental sales and use tax.  
26 The tax is in addition to any other sales and use tax authorized by  
27 law, but may only be imposed during a period during which the

1 qualifying local government does not impose a property tax.

2 (b) A qualifying local government is not required to call an  
3 election to adopt, increase, reduce, or abolish the supplemental  
4 sales and use tax.

5 Sec. 328.004. TAX RATE; INCREASE, REDUCTION, OR ABOLITION  
6 OF TAX. (a) In the first year in which a qualifying local  
7 government imposes the supplemental sales and use tax, the rate of  
8 the tax is equal to a rate that, when applied to the estimated  
9 cumulative sales price of the sale, use, storage, or other  
10 consumption of taxable items within the local government during  
11 that year, would produce an amount equal to the local government's  
12 lost property tax revenue. The ordinance or order authorizing the  
13 tax and adopted under Section 328.003 must specify the tax rate.

14 (b) A qualifying local government that imposes the  
15 supplemental sales and use tax may by adoption of an ordinance or  
16 order annually increase or reduce the rate of the tax in increments  
17 of one-eighth of one percent. A reduction in the rate of the tax may  
18 not impair any outstanding debt or other obligation payable from  
19 the tax.

20 (c) A qualifying local government that imposes the  
21 supplemental sales and use tax may by adoption of an ordinance or  
22 order abolish the tax if there is no outstanding debt secured by the  
23 tax.

24 (d) A certified copy of an ordinance or order described by  
25 this section must be forwarded to the comptroller before June 30 of  
26 the year preceding the January 1 on which the action approved in the  
27 ordinance or order is to take effect.

1       Sec. 328.005. SALES AND USE TAX EFFECTIVE DATE.    The  
2 adoption, increase, reduction, or abolition of the supplemental  
3 sales and use tax takes effect on the next January 1 that is at least  
4 six months after the date the qualifying local government forwards  
5 to the comptroller the copy of the ordinance or order adopting,  
6 increasing, reducing, or abolishing the tax, as applicable.

7       Sec. 328.006. EFFECT ON COMBINED LOCAL TAX RATE.   The rate  
8 of a supplemental sales and use tax may not be considered for  
9 purposes of determining the combined local tax rate in any area.

10       Sec. 328.007. USE OF TAX REVENUE.       Revenue from a  
11 supplemental sales and use tax is for the use and benefit of the  
12 qualifying local government imposing the tax and may be used for any  
13 purpose for which the general funds of the local government may be  
14 used.

15       SECTION 2. This Act takes effect immediately if it receives  
16 a vote of two-thirds of all the members elected to each house, as  
17 provided by Section 39, Article III, Texas Constitution. If this  
18 Act does not receive the vote necessary for immediate effect, this  
19 Act takes effect September 1, 2019.