

By: Johnson

S.B. No. 1803

A BILL TO BE ENTITLED

AN ACT

1
2 relating to the municipal sales and use tax for street maintenance;
3 authorizing an increase in the rate of a tax.

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

5 SECTION 1. Section 327.003, Tax Code, is amended by
6 amending Subsections (b) and (c) and adding Subsections (b-1),
7 (c-1), and (d) to read as follows:

8 (b) Subject to Subsection (b-1), a [A] municipality may not
9 adopt a tax under this chapter or increase the rate of the tax if as
10 a result of the adoption of the tax or the increase in the rate of
11 the tax the combined rate of all sales and use taxes imposed by the
12 municipality and other political subdivisions of this state having
13 territory in the municipality would exceed two percent at any
14 location in the municipality.

15 (b-1) A municipality that is a member of a subregion of a
16 transportation authority governed by a board described in
17 Subchapter O, Chapter 452, Transportation Code, may not adopt a tax
18 under this chapter or increase the rate of the tax if as a result of
19 the adoption of the tax or the increase in the rate of the tax the
20 combined rate of all sales and use taxes imposed by the municipality
21 and other political subdivisions of this state having territory in
22 the municipality would exceed 2.25 percent at any location in the
23 municipality.

24 (c) Subject to Subsection (c-1), if [~~if~~] the voters of a

1 municipality approve the adoption of the tax or the increase in the
2 rate of the tax at an election held on the same election date on
3 which another political subdivision adopts a sales and use tax or
4 approves the increase in the rate of its sales and use tax and as a
5 result the combined rate of all sales and use taxes imposed by the
6 municipality and other political subdivisions of this state having
7 territory in the municipality would exceed two percent at any
8 location in the municipality, the election to adopt a sales and use
9 tax under this chapter has no effect.

10 (c-1) If the voters of a municipality described by
11 Subsection (b-1) approve the adoption of the tax or the increase in
12 the rate of the tax at an election held on the same election date on
13 which another political subdivision adopts a sales and use tax or
14 approves the increase in the rate of its sales and use tax and as a
15 result the combined rate of all sales and use taxes imposed by the
16 municipality and other political subdivisions of this state having
17 territory in the municipality would exceed 2.25 percent at any
18 location in the municipality, the election to adopt a sales and use
19 tax under this chapter has no effect.

20 (d) This subsection applies only to a municipality
21 described by Subsection (b-1) that adopts a tax under this chapter
22 at, or increases the rate of a tax under this chapter to, a rate
23 that, when added to all other sales and use taxes imposed by the
24 municipality and other political subdivisions of this state having
25 territory in the municipality, results in a combined sales and use
26 tax rate that exceeds two percent at any location in the
27 municipality. Notwithstanding any other law, the increment of the

1 rate imposed by the municipality under this chapter equal to the
2 increment by which the combined sales and use tax rate at a location
3 in the municipality's territory exceeds two percent is excluded for
4 purposes of any law other than a provision of this chapter in
5 computing the combined rate of all sales and use taxes imposed by
6 the municipality and other political subdivisions of this state
7 having territory in the municipality.

8 SECTION 2. Section 327.004, Tax Code, is amended to read as
9 follows:

10 Sec. 327.004. TAX RATE. The tax authorized by this chapter
11 may be imposed at any rate that is an increment of one-eighth of one
12 percent, that the municipality determines is appropriate, and that
13 would not result in a combined rate that exceeds the maximum
14 combined rate prescribed by Section 327.003(b) or (b-1), as
15 applicable.

16 SECTION 3. Section 327.006, Tax Code, is amended by adding
17 Subsection (c) to read as follows:

18 (c) This subsection applies only to a municipality
19 described by Section 327.003(b-1) that proposes to adopt the tax
20 authorized by this chapter at a rate that would result in a combined
21 rate in excess of two percent of all sales and use taxes imposed by
22 the municipality and other political subdivisions of this state
23 having territory in the municipality. In addition to the statement
24 required under Subsection (b), the ballot must include the
25 following statement: "If adopted, this proposition may result in a
26 combined local sales and use tax rate in (name of municipality) that
27 exceeds two percent."

1 SECTION 4. Section 327.0065, Tax Code, is amended by
2 amending Subsection (b) and adding Subsection (d) to read as
3 follows:

4 (b) A municipality that has adopted a sales and use tax
5 under this chapter may by ordinance increase the rate of the tax to
6 any rate that is an increment of one-eighth of one percent, that the
7 municipality determines is appropriate, and that would not result
8 in a combined rate that exceeds the maximum combined rate
9 prescribed by Section 327.003(b) or (b-1), as applicable, if the
10 increase is authorized at an election held in the municipality.

11 (d) This subsection applies only to a municipality
12 described by Section 327.003(b-1) that proposes to increase the
13 rate of the tax authorized by this chapter to a rate that would
14 result in a combined rate in excess of two percent of all sales and
15 use taxes imposed by the municipality and other political
16 subdivisions of this state having territory in the municipality.
17 In addition to the statement required under Subsection (c), the
18 ballot must include the following statement: "If adopted, this
19 proposition may result in a combined local sales and use tax rate in
20 (name of municipality) that exceeds two percent."

21 SECTION 5. Section 327.007(b), Tax Code, is amended to read
22 as follows:

23 (b) An election to reauthorize the tax is called and held in
24 the same manner as an election to adopt the tax under Section
25 327.006, except the ballot proposition shall be prepared to permit
26 voting for or against the proposition: "The reauthorization of the
27 local sales and use tax in (name of municipality) at the rate of

1 (insert appropriate rate) to continue providing revenue for
2 maintenance and repair of municipal streets. The tax expires on the
3 (insert "first day of the first calendar quarter occurring after
4 the fourth anniversary" or "last day of the first calendar quarter
5 occurring after the (insert[7] eighth[7] or 10th anniversary, as
6 applicable)") [~~anniversary~~] of the date of this election unless the
7 imposition of the tax is reauthorized."

8 SECTION 6. Section 327.008, Tax Code, is amended to read as
9 follows:

10 Sec. 327.008. USE OF TAX REVENUE. Revenue from the tax
11 imposed under this chapter may be used only to maintain and repair a
12 municipal:

13 (1) street or sidewalk; or

14 (2) water, wastewater, or stormwater system located in
15 the width of a way of a municipal street [~~streets or sidewalks~~
16 ~~existing on the date of the election to adopt the tax~~].

17 SECTION 7. Sections 327.006(c) and 327.0065(d), Tax Code,
18 as added by this Act, and Section 327.007(b), Tax Code, as amended
19 by this Act, apply only to ballot language for an election ordered
20 on or after the effective date of this Act. Ballot language for an
21 election ordered before the effective date of this Act is governed
22 by the law in effect when the election was ordered.

23 SECTION 8. This Act takes effect immediately if it receives
24 a vote of two-thirds of all the members elected to each house, as
25 provided by Section 39, Article III, Texas Constitution. If this
26 Act does not receive the vote necessary for immediate effect, this
27 Act takes effect September 1, 2021.