By:  Harrison H.B. No. 16

A BILL TO BE ENTITLED

AN ACT

relating to the abolition of ad valorem taxes and the creation of a joint interim committee on the abolition of those taxes.

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

SECTION 1.  (a) In this section, "committee" means the joint interim committee on the abolition of ad valorem taxes.

(b)  The joint interim committee on the abolition of ad valorem taxes is composed of:

(1)  five members of the house of representatives appointed by the speaker of the house of representatives; and

(2)  five senators appointed by the lieutenant governor.

(c)  The speaker of the house of representatives and the lieutenant governor shall make the appointments under Subsection (b) of this section not later than February 1, 2024.

(d)  The speaker of the house of representatives and the lieutenant governor shall each designate a co-chair from among the committee members.

(e)  The committee shall convene at the joint call of the co-chairs.

(f)  The committee has all other powers and duties provided to a special or select committee by the rules of the senate and house of representatives, by Subchapter B, Chapter 301, Government Code, and by policies of the senate and house committees on administration.

(g)  The committee shall conduct a comprehensive study to determine how to replace local tax revenue that will be lost when ad valorem taxes are abolished with local sales and use tax revenue.

(h)  The committee shall:

(1)  consider whether political subdivisions that currently impose ad valorem taxes would have the authority to impose sales and use taxes;

(2)  determine the average sales and use tax rate for each type of political subdivision that would be necessary to generate the same amount of tax revenue as the amount of tax revenue lost as a result of the abolition of ad valorem taxes;

(3)  determine, if appropriate, the effect that broadening the application of sales and use taxes at the local level would have on the tax rates identified under Subdivision (2) of this subsection;

(4)  identify whether tax revenue generated by sales and use taxes would require redistribution to offset disparities in available local tax revenue as a result of the abolition of ad valorem taxes and, if so, evaluate the different mechanisms of redistribution available; and

(5)  identify and examine any other issue that would need to be addressed to implement the abolition of ad valorem taxes.

(i)  On request of the committee, a state agency or political subdivision shall provide information for and assistance in conducting the study under this section.

(j)  Not later than December 1, 2024, the committee shall prepare and submit to the legislature a written report containing the results of the study and any recommendations for legislative or other action.

(k)  The committee is abolished and this section expires January 1, 2025.

SECTION 2.  (a) Title 1, Tax Code, is repealed.

(b)  Notwithstanding any other law, this state or a political subdivision of this state may not impose an ad valorem tax. To the extent of a conflict, this section controls over a conflicting provision in a general or special law.

(c)  The change in law made by this section does not affect tax liability accruing before January 1, 2029. That liability continues in effect as if this section had not been enacted, and the former law is continued in effect for the collection of taxes due and for civil and criminal enforcement of the liability for those taxes.

SECTION 3.  (a) This Act takes effect as provided by Subsections (b) and (c) of this section, but only if the constitutional amendment proposed by the 88th Legislature, 1st Called Session, 2023, to abolish ad valorem taxes is approved by the voters. If that amendment is not approved by the voters, this Act has no effect.

(b)  This section and Section 1 of this Act take effect January 1, 2024.

(c)  Section 2 of this Act takes effect January 1, 2029.