By: Raymond H.B. No. 1145

A BILL TO BE ENTITLED

AN ACT

relating to the conversion of all or a portion of a municipal sales and use tax originally adopted for the purpose of sports and community venues to a municipal sales and use tax for economic development purposes.

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

SECTION 1. Section 334.089(a), Local Government Code, is amended to read as follows:

(a) Except as provided by Section 334.090, a [~~A~~] sales and use tax imposed under this subchapter may not be collected after the last day of the first calendar quarter occurring after notification to the comptroller by the municipality or county that the municipality or county has abolished the tax or that all bonds or other obligations of the municipality or county that are payable in whole or in part from money in the venue project fund, including any refunding bonds or other obligations, have been paid in full or the full amount of money, exclusive of guaranteed interest, necessary to pay in full the bonds and other obligations has been set aside in a trust account dedicated to the payment of the bonds and other obligations.

SECTION 2. Subchapter D, Chapter 334, Local Government Code, is amended by adding Section 334.090 to read as follows:

Sec. 334.090. CONVERSION OF TAX. (a) A sales and use tax imposed under this subchapter is abolished or the rate of the tax is

reduced, as applicable, on the date a conversion of all or a portion of the tax under Section 504.263 or 505.260 takes effect.

(b) A municipality shall notify the comptroller of a conversion described by Subsection (a) not later than the 60th day before the date the conversion takes effect.

SECTION 3. Subchapter F, Chapter 504, Local Government Code, is amended by adding Section 504.263 to read as follows:

Sec. 504.263. ELECTION TO CONVERT CERTAIN SALES AND USE TAX AUTHORITY. (a) This section applies only to a municipality that:

(1) has adopted a sales and use tax under Subchapter D, Chapter 334; and

(2) on September 1, 2027, has or will have outstanding bonded indebtedness for bonds issued under Section 334.043 that are payable wholly or partly from the sales and use tax.

(b) A municipality may convert all or a portion of a sales and use tax originally adopted under Subchapter D, Chapter 334, to a sales and use tax under this subchapter if the conversion is approved by a majority of the voters of the municipality voting at an election held for that purpose.

(c) In an election to convert all or a portion of a sales and use tax as provided by this section, the ballot shall be printed to provide for voting for or against the proposition: "The conversion of (insert "the" or "a portion of the," as applicable) sales and use tax originally adopted for the purpose of financing a sports and community venue project to a (insert the appropriate tax rate that is an increment of one-eighth of one percent) sales and use tax for the promotion and development of new and expanded business

enterprises."

(d) For purposes of Chapter 321, Tax Code, an election under this section is an election to adopt a sales and use tax under this subchapter and, as applicable, to abolish or reduce the rate of the tax under Subchapter D, Chapter 334.

(e) Notwithstanding Section 321.102, Tax Code, a conversion under this section takes effect on the first day after the date all bonds described by Subsection (a)(2), including any refunding bonds, have been paid in full or the full amount of money, exclusive of guaranteed interest, necessary to pay the bonds in full has been set aside in a trust account dedicated to the payment of the bonds.

(f) Notwithstanding Section 321.405(a), Tax Code, a municipality that converts all or a portion of a tax under this section shall comply with Section 321.405, Tax Code, not later than the 60th day before the date the conversion takes effect.

(g) The conversion of all or a portion of a sales and use tax under this section:

(1) abolishes or reduces the rate of a tax adopted under Subchapter D, Chapter 334, as applicable;

(2) imposes a sales and use tax under this subchapter:

(A) at the same rate as the tax under Subchapter D, Chapter 334, was imposed, if that tax is abolished; or

(B) at a rate equal to the reduction in the rate of the tax under Subchapter D, Chapter 334, if that rate is reduced; and

(3) may not affect the combined rate of all sales and use taxes imposed by political subdivisions of this state in any

territory in which the tax is imposed.

(h) If a sales and use tax conversion under this section is not approved, the election does not affect the municipality's authority to impose the sales and use tax adopted under Chapter 334, or the rate of that tax, as provided by that chapter.

(i) If conversion of a portion of a sales and use tax is approved under this section, the municipality may continue to impose the portion of the tax under Subchapter D, Chapter 334, that was not converted as provided by that chapter.

(j) For a tax converted under this subchapter, the election requirement under Subsection (b) is satisfied and another election is not required if the voters of the authorizing municipality approved the conversion at an election called or held before September 1, 2027, under an ordinance calling the election that:

(1) was published in a newspaper of general circulation in the municipality at least 14 days before the date of the election; and

(2) expressly stated that the election was being called or held in anticipation of the enactment of enabling and implementing legislation without further elections.

SECTION 4. Subchapter F, Chapter 505, Local Government Code, is amended by adding Section 505.260 to read as follows:

Sec. 505.260. ELECTION TO CONVERT CERTAIN SALES AND USE TAX AUTHORITY. (a) This section applies only to a municipality that:

(1) has adopted a sales and use tax under Subchapter D, Chapter 334; and

(2) on September 1, 2027, has or will have outstanding

bonded indebtedness for bonds issued under Section 334.043 that are payable wholly or partly from the sales and use tax.

(b) A municipality may convert all or a portion of a sales and use tax originally adopted under Subchapter D, Chapter 334, to a sales and use tax under this subchapter if the conversion is approved by a majority of the voters of the municipality voting at an election held for that purpose.

(c) In an election to convert all or a portion of a sales and use tax as provided by this section, the ballot shall be printed to provide for voting for or against the proposition: "The conversion of (insert "the" or "a portion of the," as applicable) sales and use tax originally adopted for the purpose of financing a sports and community venue project to a (insert the appropriate tax rate that is an increment of one-eighth of one percent) sales and use tax for economic development projects described by Chapter 505, Local Government Code."

(d) For purposes of Chapter 321, Tax Code, an election under this section is an election to adopt a sales and use tax under this subchapter and, as applicable, to abolish or reduce the rate of the tax under Subchapter D, Chapter 334.

(e) Notwithstanding Section 321.102, Tax Code, a conversion under this section takes effect on the first day after the date all bonds described by Subsection (a)(2), including any refunding bonds, have been paid in full or the full amount of money, exclusive of guaranteed interest, necessary to pay the bonds in full has been set aside in a trust account dedicated to the payment of the bonds.

(f) Notwithstanding Section 321.405(a), Tax Code, a

municipality that converts all or a portion of a tax under this section shall comply with Section 321.405, Tax Code, not later than the 60th day before the date the conversion takes effect.

(g) The conversion of all or a portion of a sales and use tax under this section:

(1) abolishes or reduces the rate of a tax adopted under Subchapter D, Chapter 334, as applicable;

(2) imposes a sales and use tax under this subchapter:

(A) at the same rate as the tax under Subchapter D, Chapter 334, was imposed, if that tax is abolished; or

(B) at a rate equal to the reduction in the rate of the tax under Subchapter D, Chapter 334, if that rate is reduced; and

(3) may not affect the combined rate of all sales and use taxes imposed by political subdivisions of this state in any territory in which the tax is imposed.

(h) If a sales and use tax conversion under this section is not approved, the election does not affect the municipality's authority to impose the sales and use tax adopted under Chapter 334, or the rate of that tax, as provided by that chapter.

(i) If conversion of a portion of a sales and use tax is approved under this section, the municipality may continue to impose the portion of the tax under Subchapter D, Chapter 334, that was not converted as provided by that chapter.

(j) For a tax converted under this subchapter, the election requirement under Subsection (b) is satisfied and another election is not required if the voters of the authorizing municipality

approved the conversion at an election called or held before September 1, 2027, under an ordinance calling the election that:

(1) was published in a newspaper of general circulation in the municipality at least 14 days before the date of the election; and

(2) expressly stated that the election was being called or held in anticipation of the enactment of enabling and implementing legislation without further elections.

SECTION 5. This Act takes effect immediately if it receives a vote of two-thirds of all the members elected to each house, as provided by Section 39, Article III, Texas Constitution. If this Act does not receive the vote necessary for immediate effect, this Act takes effect September 1, 2027.