By: Barry H.B. No. 1177

A BILL TO BE ENTITLED

AN ACT

relating to the authority of a municipality or county to impose a supplemental local sales and use tax to provide additional revenue for property tax relief and general governmental purposes if the tax is approved by the voters; 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

SUBCHAPTER A. GENERAL PROVISIONS

Sec. 328.0001. DEFINITION. In this chapter, "supplemental local sales and use tax" means a sales and use tax authorized by this chapter.

Sec. 328.0002. APPLICABILITY OF OTHER LAW. (a) Except as otherwise provided by this chapter:

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

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

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

(1) Sections 321.101 and 323.101;

(2) Subchapter E, Chapter 321, Subchapter E, Chapter 323, and the other provisions of Chapters 321 and 323 relating to an

election;

(3) Sections 321.506-321.508; and

(4) Section 323.505.

Sec. 328.0003. EFFECT ON COMBINED LOCAL TAX RATE. The rate of a supplemental local sales and use tax may not be considered for purposes of determining the combined local tax rate in any area.

SUBCHAPTER B. IMPOSITION OF TAX

Sec. 328.0051. TAX AUTHORIZED. A municipality or county may adopt or abolish a supplemental local sales and use tax at an election held in the municipality or county.

Sec. 328.0052. TAX RATE. A supplemental local sales and use tax may be imposed at any rate that does not exceed one percent.

Sec. 328.0053. SALES AND USE TAX EFFECTIVE DATE. The adoption or abolition of a supplemental local sales and use tax takes effect on the next January 1 that is at least six months after the date the comptroller receives notice of the results of the election from the municipality or county, as applicable.

SUBCHAPTER C. TAX ELECTION PROCEDURES

Sec. 328.0101. ELECTION ORDER. The governing body of a municipality or county may order an election to adopt or abolish a supplemental local sales and use tax. The election order must include the rate of the supplemental local sales and use tax.

Sec. 328.0102. ELECTION DATE. An election under this chapter must be held on the next uniform election date that occurs after the date of the election order and that allows sufficient time to comply with the requirements of other law.

Sec. 328.0103. BALLOT. (a) At an election to adopt the

tax, the ballot shall be prepared to permit voting for or against the proposition: "The adoption of a local sales and use tax in (name of municipality or county) at (rate of tax) to reduce the property tax rate and provide additional revenue for general governmental purposes."

(b) At an election to abolish the tax, the ballot shall be prepared to permit voting for or against the proposition: "The abolition of the (rate of tax) local sales and use tax in (name of municipality or county) used to reduce the property tax rate and provide additional revenue for general governmental purposes."

SUBCHAPTER D. USE OF TAX REVENUE

Sec. 328.0151. USE OF REVENUE. Revenue from a supplemental local sales and use tax shall be allocated as follows:

(1) 50 percent is additional sales and use tax revenue of the municipality or county imposing the tax for purposes of Section 26.041; and

(2) the remainder is for the use and benefit of the municipality or county imposing the tax and may be used for any purpose for which the general funds of the municipality or county may be used.

SECTION 2. Section 26.012(1), Tax Code, is amended to read as follows:

(1) "Additional sales and use tax" means an additional sales and use tax imposed by:

(A) a municipality [~~city~~] under Section 321.101(b) or Chapter 328;

(B) a county under Chapter 323 or 328; or

(C) a hospital district, other than a hospital district:

(i) created on or after September 1, 2001, that:

(a) imposes the sales and use tax under Subchapter I, Chapter 286, Health and Safety Code; or

(b) imposes the sales and use tax under Subchapter L, Chapter 285, Health and Safety Code; or

(ii) that imposes the sales and use tax under Subchapter G, Chapter 1061, Special District Local Laws Code.

SECTION 3. Section 31.01(i), Tax Code, is amended to read as follows:

(i) For a municipality [~~city or town~~] that imposes an additional sales and use tax under Section 321.101(b) or Chapter 328 [~~of this code~~], or a county that imposes a sales and use tax under Chapter 323 or 328 [~~of this code~~], the tax bill shall indicate the amount of additional ad valorem taxes, if any, that would have been imposed on the property if additional ad valorem taxes had been imposed in an amount equal to the amount of revenue estimated to be collected from the additional municipal [~~city~~] sales and use tax or from the county sales and use tax, as applicable, for the year determined as provided by Section 26.041 [~~of this code~~].

SECTION 4. Sections 26.012(1) and 31.01(i), Tax Code, as amended by this Act, apply only to ad valorem taxes that are imposed for an ad valorem tax year that begins on or after January 1, 2028.

SECTION 5. (a) Except as provided by Subsection (b) of this section, this Act takes effect September 1, 2027.

(b) Sections 26.012(1) and 31.01(i), Tax Code, as amended by this Act, take effect January 1, 2028.