

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 80TH LEGISLATIVE REGULAR SESSION

April 11, 2007

TO: Honorable Fred Hill, Chair, House Committee on Local Government Ways & Means

FROM: John S. O'Brien, Director, Legislative Budget Board

IN RE: HB2084 by Hill (Relating to sales and use taxes by certain municipalities.), **Committee Report 1st House, Substituted**

The fiscal implication to the State is indeterminate.
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The bill would add Chapter 329 and amend Section 321.101 of the Tax Code, relating to sales and use taxes by certain municipalities.

The bill would create a 1 percent cap on transit sales and use taxes within a municipality that is wholly or partly located in one or both of two contiguous counties, each of which has a population of one million or more, or located in a county contiguous to those counties.

The bill would exclude the transit tax in these municipalities from counting toward the total combined local tax rate.

This bill would take effect immediately upon enactment, assuming that it received the requisite two-thirds majority votes in both houses of the Legislature. Otherwise, it would take effect September 1, 2007.

Under current law, the total combined rate of all local sales and use taxes cannot exceed 2 percent. Local sales and use taxes imposed by transit authorities are part of the combined 2 percent maximum. The bill would exclude the local sales and use tax imposed by transit authorities in the specified municipalities from counting toward the 2 percent maximum. The bill would establish a maximum of 1 percent for local sales and use taxes imposed by transit authorities in those municipalities, in effect allowing a 3 percent maximum rate for all sales and use taxes within those municipalities.

Whether the affected municipalities would adopt new or modify their current local sales or use taxes is unknown; therefore, the fiscal impact on the state or units of local government cannot be estimated

Local Government Impact

The fiscal implication to units of local government is indeterminate.

Source Agencies: 304 Comptroller of Public Accounts

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