

SUBJECT: Allowing combined municipal sales tax elections

COMMITTEE: Local Government Ways and Means — favorable, without amendment

VOTE: 5 ayes — Hill, Elkins, Puente, Quintanilla, Uresti
0 nays
2 absent — Hamilton, Laubenberg

WITNESSES: For — Bennett Sandlin, Texas Municipal League
Against — None

BACKGROUND: Under Tax Code, ch. 321, municipalities may not combine sales tax ballot initiatives. In Texas, 1,100 cities levy a 1-cent general purpose sales tax. Approximately 700 have additional dedicated sales tax uses. Each additional sales tax use requires an election. Separate elections must be held to determine the “mix” of taxes — the combined rates and use of general purpose and dedicated sales taxes. One election is required to repeal or lower a tax and a separate election to adopt or raise another tax.

DIGEST: HB 3195 would allow combined municipal sales tax ballot propositions to repeal or lower a tax and to adopt or raise another tax. Ballot wording would be combined but remain substantially the same as under current law. A combined sales tax election could be called only by the municipality's governing body.

Negative votes on combined propositions would neither affect the increase/adoption nor the decrease/repeal of a sales tax. Current law regarding sales taxes, specifically the allowed combined maximum local tax rate, would not be changed.

The bill would take effect September 1, 2005.

SUPPORTERS SAY: HB 3195 would improve municipal sales tax use. Under current law, separate elections deter many cities from changing their sales tax mixes. When voters repeal or decrease one tax but fail to adopt or increase

another one for a more ideal sales tax mix, the city loses a revenue stream. Conversely, when voters adopt or increase one tax but fail to repeal or decrease another tax, they risk exceeding the 2-percent local sales tax cap.

This double-election process is cumbersome and confusing to voters. Even if elections are directly related, they are treated separately, which means that voters may not realize which mix of taxes would be best. Therefore, the difficulties associated with holding elections can cause some cities to continue relying on inadequate sales tax combinations.

The bill would combine the ballot initiatives so that voters could better understand the relationship between the two proposals. Acquiring the right mix is vital to many cities that are taxing at the maximum local sales tax rate. When cities rely on their maximum limit, the viability of certain revenue streams depends on the ideal combination of taxes.

**OPPONENTS
SAY:**

Current election processes work well and safeguard sales tax combinations from being changed too frequently. Frequent changes to the local sales tax mix can destabilize municipal revenue streams and complicate long-term budgeting and planning.