F I S C A L   I M P A C T   R E P O R T

SPONSOR Gonzales **DATE TYPED** 2/16/2004 **HB** 44/aHTRC/aSPAC

SHORT TITLE County Local Option Gross Receipts **SB**

ANALYST Taylor

REVENUE

Estimated Revenue		Subsequent Years Impact	Recurring or Non-Rec	Fund Affected
FY04	FY05			
Indeterminate	Indeterminate	Indeterminate	Recurring	County Funds

(Parenthesis ( ) Indicate Revenue Decreases)

Duplicates SB88

SOURCES OF INFORMATION
LFC Files

Responses Received From
Taxation and Revenue Department (TRD)

SUMMARY

Synopsis of SPAC Amendment

The Senate Public Affairs Committee Amendment strikes item 3 in the HTRC amendment. This has the effect of making the July 1, 2004 effective date apply to all provisions of the bill.

It also provides two options for referendum. The first option is a negative referendum: the ordinance passed by the local governing body may be repealed with a majority vote in the election called to consider the issue. The second option is a positive referendum, where adoption of the tax cannot go into effect until an election is held and a majority of those participating vote in favor of the tax.

Synopsis of HTRC Amendment

The House Taxation and Revenue Committee amendment deletes language that the county corrections gross receipts tax may be imposed only once for the period necessary for payment of principal and interest on revenue bonds. It also exempts section 3, which imposes the county fire protection excise tax, from the July 1, 2004 effective date. It adds an emergency clause, making the bill effective on signature.

FISCAL IMPLICATIONS

The fiscal implications of the bill are not changed by the HTRC amendment. They are still positive, but indeterminate since they require local government action to happen.

The fiscal implications of the original bill pertain to county funds only. They are indeterminate because it is not known how many counties would impose the additional taxing authority allowed. It is also unknown whether voters would approve increases. The TRD analysis shows that if all qualified counties imposed the additional authorizations in FY05, the county gross receipts tax would yield an additional $23.1 million and the correctional facilities gross receipts tax $41.3 million. The TRD analysis, which is attached, also reports the potential impact on a county by county basis.

Synopsis of Original Bill

House Bill 44 makes changes to local option gross receipts taxes.

Section 1 increases the county gross receipts tax rate by one sixteenth percent from three-eighths percent to seven-sixteenths percent. Additional revenue may be used for general purposes.

Section 2 changes make the referendum provisions for enacting the third one-eighth and the one-sixteenth increment so that they are the same as those for the first one-eighth (see description for sections 5 and 6).

Section 3 eliminates the county fire protection excise tax provisions that limit how long the tax is in effect to 10 years and requires subsequent ordinances be limited to five-years, subject to voter approval requirements.

Section 4 eliminates the county emergency and emergency medical services tax provisions that limit how long the tax is in effect to 10 years and requires subsequent ordinances be limited to five-years, subject to voter approval requirements.

Section 5 and 6 change provisions of the county correctional facility gross receipts tax act.

Section 5 alters the definition of "county". The old definition, which restricted the tax to specific counties, is eliminated; the new definition makes the act apply to any county in the state.

Section 6 eliminates provisions that limit how long the tax is in effect to 10 years and require subsequent ordinances be limited to five-years, subject to voter approval requirements. It also expands the purposes for which the tax revenue may be used to include operation and maintenance of such facilities and transportation of prisoners. Current provisions governing imposition of the tax are stripped and new provisions substituted. The new provisions address when referendum approving the tax would be required. In counties with referendum provisions in their charter, petitions meeting the requirements of the charter for seeking a referendum would have to be met. In all other counties, an election would be required when a petition requesting an election is filed with the county clerk within 30 days of enactment of the ordinance by the governing body. The petition would have to be signed by 5 percent of the voters registered to vote in the most recent general election. Approval by 50 percent or more of the voters is required for the ordinance to go into effect. If not approved, the governing body could not submit the question of imposing the tax for one year. (Note: these voter approval provisions mirror those that currently govern the first one-eight percent of the county gross receipts tax).

The effective date is July 1, 2004.

ADMINISTRATIVE IMPLICATIONS

TRD reports moderate administrative impacts that can be absorbed with existing resources.

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