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FISCAL IMPACT REPORT

SPONSOR Cisneros DATE TYPED 02/21/05 HB _____

SHORT TITLE Water & Sanitation District Tax Authority SB 864

ANALYST Padilla-Jackson

REVENUE

Estimated Revenue		Subsequent Years Impact	Recurring or Non-Rec	Fund Affected
FY05	FY06			
		Positive	Recurring	Water and Sanitation Districts

(Parenthesis () Indicate Revenue Decreases)

Duplicate to House Bill 874

SOURCES OF INFORMATION

LFC Files

Responses Received From

Taxation and Revenue Department (TRD)

SUMMARY

Synopsis of Bill

Senate Bill 864 creates a new water and sanitation district gross receipts tax of up to 0.25 percent of receipts within the district. The tax would be imposed by a local water and sanitation board. The bill defines “gross receipts” to mean the money (or value) received from selling property in a district, leasing property employed in a district, from selling services performed outside a district, the product of which is initially used in a district, or from providing certain mobile telecommunications services to customers whose place of primary is in a district.

The proceeds of the new tax would be used to purchase, acquire, establish and construct

1. waterworks to supply water for domestic, commercial, and industrial purposes;
2. sanitary sewers or a system of sewage, garbage, or refuse disposal;
3. streets and street improvements; and to
4. establish and construct park and recreational improvements; and
5. pay revenue bonds issued

The Taxation and Revenue Department would be responsible for collecting and distributing the tax for and to each district.

The effective date for the provisions of this bill is July 1, 2006.

FISCAL IMPLICATIONS

TRD notes that the fiscal impacts of the bill would depend on which districts choose to impose the new tax. As an approximate measure, TRD calculated the impact of an additional 0.25 percent imposed on the gross receipts base statewide, which would generate approximately \$100 million in FY06.

ADMINISTRATIVE IMPLICATIONS

The new tax proposal would reportedly require a new program, with new instructions and publications within TRD. TRD notes that if the water and sanitation district boundaries do not align with the current political boundaries used for GRT purposes, the complexity for taxpayers and the department increases significantly. New system programming is estimated to exceed 1,000 hours.

TECHNICAL ISSUES

TRD cautions that the bill could create a substantial amount of complexity for taxpayers and the department. They note that although the proposed new tax uses a number of the same definitions from the GRT, it does not incorporate by reference all of the exemptions and deductions that apply to the latter. Thus, taxpayers could not calculate their liability for the new tax by simply multiplying the GRT base by the new 0.25 percent.

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