

BILL ANALYSIS

C.S.H.B. 4621
By: Huberty
Ways & Means
Committee Report (Substituted)

BACKGROUND AND PURPOSE

Some note that the local property tax burden in Texas is one of the highest in the nation, which some believe negatively affects homeownership. The Texas Constitution mandates that the legislature establish and make suitable provision for the support and maintenance of an efficient system of free public education. Some maintain that the state should pay a larger share of public education funding instead of relying so heavily on revenue from local property taxes. C.S.H.B. 4621 seeks to increase the state sales and use tax rate to 7.25 percent, with the additional net revenue going toward providing property tax relief through reduction of the state compression percentage.

CRIMINAL JUSTICE IMPACT

It is the committee's opinion that this bill does not expressly create a criminal offense, increase the punishment for an existing criminal offense or category of offenses, or change the eligibility of a person for community supervision, parole, or mandatory supervision.

RULEMAKING AUTHORITY

It is the committee's opinion that this bill does not expressly grant any additional rulemaking authority to a state officer, department, agency, or institution.

ANALYSIS

C.S.H.B. 4621 amends the Tax Code to increase the rate of the sales and use tax from 6.25 percent to 7.25 percent. The bill restricts the use of an amount equal to the proceeds from the collection of sales and use taxes attributable to the portion of the tax rates in excess of 6.25 percent to providing property tax relief through reduction of the state compression percentage under the foundation school program.

EFFECTIVE DATE

January 1, 2020, if the constitutional amendment to provide property tax relief by reducing school district maintenance and operations property tax rates and increasing the state sales and use tax rates is approved by the voters.

COMPARISON OF ORIGINAL AND SUBSTITUTE

While C.S.H.B. 4621 may differ from the original in minor or nonsubstantive ways, the following summarizes the substantial differences between the introduced and committee substitute versions of the bill.

The substitute changes the amount of the increased sales and use tax rate from 6.26 percent to 7.25 percent.

The substitute revises the restricted use of the proceeds from the collection of taxes attributable to the portion of the tax rate in excess of that increased rate by:

- changing the description of the money to be used for property tax relief from all of certain proceeds from the collection of taxes attributable to the portion of the tax rate in excess of that increased rate to an amount equal to those proceeds;
- decreasing the applicable amount from the portion in excess of 6.26 percent to the portion in excess of 6.25 percent; and
- changing the restricted use of the proceeds from deposit to the property tax relief fund to providing property tax relief through reduction of the state compression percentage.

The substitute revises the bill's effective date provision.