

BILL ANALYSIS

Senate Research Center
83R817 TJB-D

S.J.R. 12
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Finance
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As Filed

AUTHOR'S / SPONSOR'S STATEMENT OF INTENT

The Tax Code contains several tax breaks, special treatments, and refunds that were inserted into the code in the distant past. The continued existence of these tax expenditures, without any regard as to whether or not they achieve their intended effect, and unrelated to ensuring that the tax system collects revenue efficiently and fairly, can result in unjustified spending programs "hidden" within the tax code.

State agencies are subjected to a "sunset review" every 12 years to determine whether the agency is effective, whether the agency reaches its intended goals, and whether the agency's functions need to be continued. The Tax Code would benefit from a similar periodic review of all its exemptions, discounts, exclusions, and special treatments to determine whether they are working.

Responsible budgeting and fiscal policy necessitates that the legislature be as prudent and transparent as possible with all appropriations and tax expenditures. S.J.R. 12 seeks to further that purpose by providing an effective mechanism for systematic review of tax expenditures to provide policymakers the information necessary to advance responsible, informed fiscal policy.

S.J.R. 12 addresses this problem by proposing a constitutional amendment requiring the legislature to enact legislation to require the periodic review of state and local tax preferences and prescribe the methods, timing, and administrative procedures for implementing the review. S.J.R. 12 also requires that each tax preference enacted on or after September 1, 2014, expire in six years.

As proposed, S.J.R. 12 proposes a constitutional amendment requiring the periodic review of state and local tax preferences and providing an expiration date for certain tax preferences.

RULEMAKING AUTHORITY

This bill does not expressly grant any additional rulemaking authority to a state officer, institution, or agency.

SECTION BY SECTION ANALYSIS

SECTION 1. Amends Article VIII, Texas Constitution, by adding Section 27, as follows:

Sec. 27. (a) Requires the legislature by general law to:

- (1) require the periodic review of state and local tax preferences;
- (2) define the term "tax preference" for the purposes of this section; and
- (3) prescribe the methods, timing, and administrative procedures for implementing the requirements of this subsection.

(b) Provides that a tax preference that takes effect on or after September 1, 2014, expires six years after the date the tax preference takes effect, except that the legislature may provide for an earlier or later expiration date.

SECTION 2. Adds the following temporary provision to the Texas Constitution:

TEMPORARY PROVISION. (a) Provides that this temporary provision applies to the constitutional amendment proposed by the 83rd Legislature, Regular Session, 2013, requiring the legislature to provide for a periodic review of state and local tax preferences and providing for the expiration of certain tax preferences six years after their effective dates or at another time prescribed by the legislature.

(b) Effective date, Section 27, Article VIII, of this constitution, as added by the amendment: January 1, 2014.

(c) Provides that this temporary provision expires January 2, 2014.

SECTION 3. Requires that the proposed constitutional amendment be submitted to the voters at an election to be held November 5, 2013. Sets forth the required language of the ballot.