

**To the Mayor and Members of the City Council****December 3, 2019**

Page 1 of 1

SUBJECT: SALES TAX RATE OF FORT WORTH CRIME CONTROL AND PREVENTION DISTRICT

The purpose of this Informal Report is to address options and alternatives regarding the sales tax rate of the Fort Worth Crime Control and Prevention District (the "District") and the possibility of sales-tax capacity being reallocated to other purposes.

Currently the District imposes sales tax at a rate of one-half of one-cent (0.5¢). Both the District and its sales tax will expire at the end of September 2020 unless voters approve their continuation.

The law that governs crime control and prevention districts (Chapter 363 of the Texas Local Government Code) mandates specific language that must be used on the ballot in continuation elections and provides that those elections must be called by a district's board of directors. The statutory ballot language speaks only to continuation of the district and the tax and their duration.

On November 12, the District's board of directors ordered an election for May 2020 for voters to consider whether to continue the District and its sales tax for a period of ten years.

Chapter 363 does not provide a mechanism for adjusting the sales tax rate of a crime control and prevention district, either as part of a continuation election or separately. Instead, adjustments to the sales tax rate of a district are governed by Chapter 321 of the Tax Code.

Under the Tax Code, a district's board of directors can call an election to *increase* the district's sales tax rate (within the limits for total local sales tax), but only the governing body of a municipality – i.e., the City Council – can call an election to *reduce* a district's tax rate.

If in May 2020 voters approve the continuation of the District for ten years, the City Council could call an election to ask voters to reduce the District's sales tax rate.

Because the District and City sales tax are both considered "municipal" taxes, they can be considered together in a single ballot proposition. Thus, City voters might be asked to both reduce the District's sales tax rate by any increment of one-eighth of one-cent (0.125¢) and increase the general municipal sales tax by that same amount.

If there were interest in decreasing the District's sales tax rate and increasing the Fort Worth Transportation Authority's ("FWTA") rate, two separate ballot propositions would be required because the transportation tax is not a "municipal" tax and is instead governed by a different chapter in the Tax Code as well as Chapter 452 of the Transportation Code. In addition, the election on the FWTA rate would have to be called by its board of directors and occur throughout its territory.

If you have any questions, please call Denis McElroy, Assistant City Attorney, at 817-392-2758.

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City Manager