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Texas Comptroller of
Public Accounts

MUNICIPAL SALES AND USE TAX FOR STREET MAINTENANCE

Many Texas cities do not have the funds necessary to repair existing streets and sidewalks. **The Tax Code** authorizes cities to impose a special sales tax to fund maintenance of this important mobility infrastructure.

WHO IS ELIGIBLE?

Cities may impose the tax if the new combined local sales tax rate will not exceed 2 percent.

[Refer to **Tax Code, Sect. 327.003(b)**.]

ELECTION IS REQUIRED

A city's voters must approve the additional sales tax. The city's governing body must adopt an ordinance calling for an election to be held on one of the two uniform election dates:

- the first Saturday in May; or
- the first Tuesday after the first Monday in November.

For guidance on the timing of elections, please contact the Secretary of State at 512-463-5650 or toll free at 800-252-8683. Additional information is available on the **Secretary of State's website**.

BALLOT LANGUAGE

At the election to adopt the additional tax, a ballot must allow voters the choice of voting for or against the proposition. Following is the required ballot language:

"The adoption of a local sales and use tax in (name of municipality) at the rate of (insert appropriate rate) to provide revenue for maintenance and repair of municipal streets."

[Refer to **Tax Code, Sect. 327.006(b)**.]



For sales tax elections called by the governing body, a municipality may combine measures to lower or repeal any dedicated or special purpose municipal sales tax into a single ballot proposition, and at the same time raise or adopt any other dedicated special purpose municipal sales tax. A combined sales tax proposition would have to contain substantially the same language as that required for lowering, repealing, raising or adopting each tax as appropriate. If a combined sales tax proposition were defeated, there would be no effect on existing sales taxes.

[Refer to **Tax Code, Sect. 321.109**.]

The tax may be used to **repair existing streets**, but **not build new streets**.

FOR MORE INFORMATION,
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Street maintenance tax funds may be spent on municipal streets including sidewalks.

ELECTION RESULTS

If the election is successful, within 10 days of the election the city must declare the results of the election by resolution or an ordinance entered in its minutes of proceedings.

The resolution or ordinance must include statements showing:

- the date the election was held;
- the wording of the proposition;
- the total number of votes cast for and against the proposition; and
- the number of votes by which the proposition passed.

[Refer to **Tax Code, Sect. 321.405.**]

If the voters of a municipality adopt the street maintenance sales tax at an election held on the same date that another political subdivision adopts a sales and use tax or approves the increase in the rate of its sales and use tax, the combined rate of all sales and use taxes must not exceed 2 percent at any location in the municipality. If the combined rate exceeds 2 percent at any location in the municipality, the election to adopt a street maintenance sales tax will have no effect.

[Refer to **Tax Code, Sect. 327.003(c).**]

EFFECTIVE DATE

The tax will become effective on the first day of the first calendar quarter after one complete calendar quarter passes from the date the Comptroller receives the city's notice that voters have approved the tax.

[Refer to **Tax Code, Sect. 327.005.**]

For example, if voters approve the tax in an election held in May and the city sends the election results to the Revenue Accounting, Tax Allocation Section of the Comptroller's office by the end of June, the tax would take

effect on Oct. 1. The city would begin receiving revenue from the Comptroller beginning with the December sales tax allocation.

ADMINISTRATION OF THE TAX

The city should account for street maintenance sales tax funds separately from other revenues.

USE OF THE STREET MAINTENANCE SALES TAX

Funds may be used only to maintain and repair municipal streets and sidewalks that existed on the date of the election to adopt the tax. It may not be used to build new streets.

[Refer to **Tax Code, Sect. 327.008.**]

WHAT ARE "MUNICIPAL" STREETS?

A "municipal street" includes the entire width of a way (including sidewalks) held by a municipality in fee or by easement or dedication that has a part open for public use for vehicular travel. The term does not include a designated state or federal highway or road or a designated county road.

[Refer to **Tax Code, Sect. 327.001.**]



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EXPIRATION AND REAUTHORIZATION OF THE TAX

For most cities, the street maintenance sales tax expires four years after it takes effect unless the city's voters authorize it to continue in an election held for that purpose. The election to reauthorize the tax must be held on one of the two uniform election dates noted previously. The ballot proposition language should permit voting for or against the following proposition:

“The reauthorization of the local sales and use tax in (name of municipality) at the rate of (insert appropriate rate) to continue providing revenue for maintenance and repair of municipal streets.”

The municipality must notify the Comptroller of the scheduled expiration not later than the 10th day after the municipality determines that the tax will expire.

[Refer to **Tax Code, Sect. 327.007.**]



If an election to reauthorize the tax is not held before the tax expires or if votes cast in an election to reauthorize the tax do not favor reauthorization, the municipality may not call an election to authorize a new tax under this chapter before the first anniversary of the date on which the tax expired.

[Refer to **Tax Code, Sect. 327.007.**]

NEED MORE INFORMATION?

For more information about the street maintenance sales tax, call the Comptroller's Data Analysis and Transparency Division at 844-519-5672.

The **tax expires four years after it takes effect** unless voters authorize its extension.

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This publication is intended as a general guide and not as a comprehensive resource on the subjects covered. It is not a substitute for legal advice.

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