BILL ANALYSIS

S.B. 1262
By: Armbrister
Economic Development
Committee Report (Unamended)

BACKGROUND AND PURPOSE

Currently, major accounting firms are promoting a concept called "Texas Purchasing Companies" to extract sales tax receipts from Texas cities. The Texas Purchasing Company is an office operation that is set up with little more than a desk and a telephone through which a company funnels its sales tax collections. These companies use the incentive of bringing additional sales tax revenues to cities to entice them to rebate a large portion that sales tax back to the purchasing company. Meanwhile, the cities that are providing the infrastructure support to the underlying companies are losing those sales tax revenues to other cities that do not need to provide municipal services. SB 1262 prohibits municipalities or development corporations from rebating sales and use taxes to provide an economic incentive to persuade a person to relocate an existing business from a different municipality in this state.

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

SB 1262 amends the Local Government Code to prohibit a municipality from granting public money to a business whose primary function is purchasing taxable goods using a resale certificate and reselling those goods to a related party. The bill defines a related party as a one that owns at least 80 percent of the business to which a grant of public money would be made.

EFFECTIVE DATE

Upon passage, or, if the Act does not receive the necessary vote, the Act takes effect September 1, 2003.