

## **BILL ANALYSIS**

Senate Research Center  
80R388 CBH-D

H.B. 142  
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Finance  
5/12/2007  
Engrossed

### **AUTHOR'S / SPONSOR'S STATEMENT OF INTENT**

Cities, counties, transit authorities, and special purpose districts are authorized to impose local sales and use taxes, which businesses selling goods and services are responsible for collecting and remitting to the taxing authorities. It is considered a general rule that sales and use taxes are assessed and collected based on taxes imposed by taxing districts at origin of the sale. An exception to this rule involves taxes imposed by transit authorities when the goods sold are transported out of the transit authority's district.

When a purchased product is shipped to a location outside a transit authority's jurisdiction, transit taxes are collected for the transit authority where the goods are to be delivered, or the point of destination, rather than for the authority at the origin of the sale. As a result of this exception, businesses may contend with complicated and inconsistent sales and use tax requirements when shipping items to purchasers outside of a transit district. Compliance with this exception, which require businesses to dedicate significant resources and technology to compute and remit sales taxes, may be overly burdensome for small businesses.

H.B. 142 provides that a purchase that originates with a retailer whose only place of business is in the state and whose total receipts subject to taxation are less than \$10,000, and where the goods sold are shipped directly to another purchaser in a taxing entity, is exempted from the exemption relating to sales tax on items leaving that entity.

### **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 Section 322.107, Tax Code, as follows:

Sec. 322.107. EXEMPTION: SALES TAX ON ITEMS LEAVING ENTITY. (a)  
Creates this subsection from existing text.

(b) Provides that this section does not apply to tangible personal property that is sold by a retailer whose only place of business in this state is located in a taxing entity and whose total receipts subject to taxation under Chapter 151 (Limited Sales, Use, and Excise Tax), Tax Code, were less than \$10,000, and said property is shipped or delivered directly to a purchaser in another taxing entity.

SECTION 2. Makes application of this Act prospective.

SECTION 3. Effective date: September 1, 2007.