

## BILL ANALYSIS

H.B. 142  
By: Jackson, Jim  
Ways & Means  
Committee Report (Unamended)

### BACKGROUND AND PURPOSE

HB 142 Relating to imposition of local sales and use taxes on items shipped or delivered from one transit authority to another transit authority by certain retailers.

The intent of HB 142 is to amend Section 322.107 of the Tax Code, which details the procedures for payment of local sales and use taxes. Under current law, most sales and use taxes are collected on a "point of origin", or a point of sale basis. This is not the case for a business that is domiciled in a Metropolitan Transit Authority, or MTA. Businesses that are headquartered in a MTA pay their sales taxes on a "point of destination" basis, meaning that sales and use taxes are due to where an item is shipped to, not where it is shipped from. This process can be very difficult for a small employer inside of a MTA to maneuver through. This legislation seeks to change the payment process, changing the payment of local sales and use taxes from a "point of destination" basis to a "point of origin" basis for employers who:

- 1) Have only one place of business in the state. This place of business must also be located inside of a Transit Authority; And:
- 2) Whose total receipts that are subject to taxation are less than \$10,000 annually.

This legislation is not intended to drastically alter the collection of local sales and use taxes in this state. In fact, this bill has no effect whatsoever on medium and large employers at all, whether inside of a MTA or outside of one. It is simply an effort to simplify the tax collection process for small employers who exist inside a Metropolitan Transit Authority, so that the small business has the ability to properly pay their tax receipts due. This change for small employers would, in fact, change the tax collection method to one that is inline with taxes collected by 4A/4B cities. In transit cities, if a taxable item is shipped or delivered to a customer outside the authority in which the retailer's place of business is located, transit tax is not due, but city sales tax is due on such an item. (Comptroller *Rule 3.424*) 4A/4B cities currently receive sales tax on items leaving their respective entities, but not the Metropolitan Transit Authorities' member cities on similar sales.

### 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

The bill amends the Tax Code Sec. 322.107 that determines payment of sales tax on items leaving entity. Subsection (b) is added, which exempts tangible personal property that is sold by a retailer whose only place of business is located in a taxing entity and whose items are being shipped or delivered directly to a purchaser in another taxing entity. To be eligible for this exemption, total receipts subject to taxation under Chapter 151 must be less than \$10,000 in the preceding fiscal year.

The change in law made by the bill does not affect tax liability accruing before the effective date of the bill. That liability continues in effect as if this bill had not been enacted, and the former law is continued in effect for the collection of taxes due and for civil and criminal enforcement of the liability for those taxes.

This bill takes effect September 1, 2007.

H.B. 142 80(R)

**EFFECTIVE DATE**

September 1, 2007