

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 83RD LEGISLATIVE REGULAR SESSION

May 8, 2013

TO: Honorable Harvey Hilderbran, Chair, House Committee on Ways & Means

FROM: Ursula Parks, Director, Legislative Budget Board

IN RE: SB997 by Deuell (Relating to the sales and use tax consequences of economic development agreements in certain municipalities.), **As Engrossed**

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| <p>No fiscal implication to the State is anticipated.</p> |
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The bill would amend Section 321.203 of the Tax Code, regarding the sourcing of certain transactions for purposes of municipal sales and use taxation.

Section 321.203 would be amended by adding new Subsection (c-4) to provide that a sale is consummated at a warehouse from which shipment is made rather than at the place of business where the order was first received if the warehouse is: a) located in a municipality with a population of 5,000 or less; b) a place of business of the retailer; c) in relation to which the retailer has an economic development agreement with the municipality that was entered into before January 1, 2009; d) in relation to which the municipality provided information regarding the agreement to the Comptroller of Public Accounts as required by Subsection (c-3); and, provided further that the place of business at which the order was first received is a retail outlet identified in the information required by Subsection (c-3). The new subsection would expire September 1, 2024.

The bill would take effect immediately upon enactment, assuming that it received the requisite two-thirds majority votes in both houses of the Legislature. Otherwise, it would take effect September 1, 2013.

The bill would affect sourcing of sales tax revenue only for local sales and use taxes and would have no implications for the state.

Local Government Impact

Only one city (Emory) and one retailer would appear affected by the bill. Section 151.027 of the Tax Code provides that information pertaining to one retailer is confidential and may not be disclosed. While the revenue implication to the affected city may be significant, the revenue effects on other units of local government would be negligible.

The bill does not amend the parallel Section 323.203, pertaining to sourcing for county sales and use taxes. Consequently, different sourcing standards would apply to the same transactions for municipal versus county taxes.

Source Agencies: 304 Comptroller of Public Accounts

LBB Staff: UP, RB, SD, KK