

BILL ANALYSIS

H.B. 2626
By: Noble
Ways & Means
Committee Report (Unamended)

BACKGROUND AND PURPOSE

Use tax is imposed on tangible personal property stored, used, or consumed in Texas. The use tax compliments the sales tax by ensuring that purchasers cannot avoid tax simply by purchasing the taxable property out of state and by leveling the playing field for Texas retailers who are required to collect sales tax. Currently, the use tax is only imposed on property that is purchased from a retailer. Concerns have been raised that the specificity of purchasing from a retailer creates a tax loophole, as a purchaser may transfer the property in such a way that does not substantially change the ownership, but nevertheless allows the purchaser to avoid paying use tax. H.B. 2626 seeks to ensure that use taxes are appropriately collected on tangible personal property that is brought into Texas for storage, use, or consumption by requiring use tax to be paid on property that is transferred between affiliated entities and used in Texas.

CRIMINAL JUSTICE IMPACT

It is the committee's opinion that this bill does not expressly create a criminal offense, increase the punishment for an existing criminal offense or category of offenses, or change the eligibility of a person for community supervision, parole, or mandatory supervision.

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

H.B. 2626 amends the Tax Code to impose a use tax on the sales price paid by the purchaser of tangible personal property that is shipped or brought into Texas by an affiliate of the purchaser. The bill removes the presumption that the property was purchased from a retailer. The bill defines "affiliate" as an entity that would be classified as a member of the purchaser's group for purposes of the franchise tax.

EFFECTIVE DATE

September 1, 2021.