

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 88TH LEGISLATIVE REGULAR SESSION

April 16, 2023

TO: Honorable Morgan Meyer, Chair, House Committee on Ways & Means

FROM: Jerry McGinty, Director, Legislative Budget Board

IN RE: HB5089 by Meyer (Relating to the location at which certain sales are consummated for purposes of local sales and use taxes.), **As Introduced**

No significant fiscal implication to the State is anticipated.

The bill would amend, and repeal certain provisions of the Tax Code and the Special District Local Laws Code concerning municipal and county sales and use tax sourcing.

The bill would amend and repeal certain provisions of Sections 321.203 and 323.203 of the Tax Code and repeal Sections 3853.202(d) of the Special District Local Laws Code to provide that, for purposes of local sales and use taxes, all sales of taxable items are consummated at the location in Texas to which the item is shipped or delivered or where the purchaser takes possession.

The bill's changes in law would not affect tax liability accruing before January 1, 2024.

The bill would have no fiscal implications for state tax revenue; there could be effects for state service fees assessed on local sales tax allocations.

The bill would take effect January 1, 2024.

Local Government Impact

There could be changes in total amounts of local sales taxes paid and in the distribution of amounts allocated among local taxing jurisdictions, in significant amounts for some jurisdictions, in amounts that cannot be determined. If net change results in increased share of taxable sales in unincorporated areas that are not subject to limited purpose annexation agreements where municipal sales taxes apply, there could be aggregate tax reduction for residents and businesses in those areas and corresponding reduction in aggregate local tax collections and service fee revenue to the state.

Source Agencies: 304 Comptroller of Public Accounts

LBB Staff: JMc, KK, SD