

## **BILL ANALYSIS**

S.B. 2747  
By: Paxton  
Ways & Means  
Committee Report (Unamended)

### **BACKGROUND AND PURPOSE**

The bill sponsor has informed the committee that current statutory provisions governing sales tax rebate agreements are tools that municipalities use to provide incentives for developers and businesses to establish operations within their areas. However, the bill sponsor has further informed the committee that there is a potential to misuse these agreements to shift local sales tax revenue from one municipality to another in exchange for substantial sales tax rebates and payments to third-party consultants for facilitating the agreement and that these large rebate agreements no longer benefit taxpayers or the general public, as they represent a direct reduction in available funds for public safety and infrastructure investment. S.B. 2747 seeks to eliminate the misuse of sales tax through form-over-substance practices that redirect tax revenue across the state in exchange for substantial rebates to the remitter and third-party consultants.

### **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**

S.B. 2747 amends the Tax Code to set out provisions relating to limitations on a rebate of municipal sales and use taxes or a grant or loan based on those taxes. The bill's provisions apply to one or more agreements as follows:

- the parties to which include the following:
  - a municipality or a local government corporation or other entity created by the municipality; and
  - a retailer or an entity that is a member of the same affiliated group as a retailer;
- the terms of which include the following:
  - the relocation of an existing place of business of a retailer party to the agreement or of a retailer that is a member of the same affiliated group as the retailer or entity party to the agreement to the municipality from one or more other municipalities in Texas; or
  - the establishment in the municipality of a new place of business of the retailer or a retailer that is a member of the same affiliated group as the retailer or entity party to the agreement;
- that have the effect of sales tax being payable to the municipality instead of one or more other municipalities in Texas; and
- under which such a municipality, corporation, or other entity agrees to do the following:

- rebate to the retailer or entity, a member of the retailer or entity's affiliated group, or another party designated by the retailer or entity an amount of tax imposed by the municipality under the Municipal Sales and Use Tax Act or an amount of revenue derived from that tax; or
- provide a grant or loan to the retailer or entity, a member of the retailer or entity's affiliated group, or another party designated by the retailer or entity in an amount that is based on an amount of tax imposed by the municipality under that act or based on an amount of revenue derived from that tax.

S.B. 2747 limits the circumstances under which a municipality or a local government corporation or other entity created by the municipality may enter into an agreement with a retailer, a member of the retailer's affiliated group, or another party designated by the retailer that results in the relocation or establishment of a place of business described by the bill's provisions as follows:

- the agreement changes the economic position, other than through a tax benefit, of the retailer, a member of the retailer's affiliated group, or another party designated by the retailer; and
- the retailer, member of the retailer's affiliated group, or another party designated by the retailer has a substantial purpose, other than a tax benefit, for entering into the agreement.

The bill requires the comptroller of public accounts, if the comptroller determines that a municipality, corporation, or other entity has violated these provisions, to, with respect to the retailer, disregard the place of business described by the bill's provisions when determining where the sale of taxable items is consummated and revoke any sales tax permit issued for the location.

S.B. 2747 defines "affiliated group" by reference to statutory provisions governing the franchise tax.

#### **EFFECTIVE DATE**

September 1, 2025.