

BILL ANALYSIS

Senate Research Center
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S.B. 2747
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Economic Development
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As Filed

AUTHOR'S / SPONSOR'S STATEMENT OF INTENT

Texas is one of 13 states that uses origin sourcing for most of its sales tax. Origin sourcing means that sales tax is collected based on the seller's location rather than where the buyer takes possession of the goods. This method aims to support the taxing jurisdiction where the economic activity occurs.

Chapter 380 rebate agreements, outlined in the Local Government Code, are tools that municipalities use to provide incentives for developers and businesses to establish operations within their areas. However, there is a potential to misuse Chapter 380 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. 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 aims 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. S.B. 2747 would still permit cities to utilize Section 380 rebates when the intent is genuinely to promote economic growth within their jurisdictions.

As proposed, S.B. 2747 amends current law relating to limitations applicable to certain agreements providing for a rebate of municipal sales and use taxes or a grant or loan based on those taxes.

RULEMAKING AUTHORITY

This bill does not expressly grant any additional rulemaking authority to a state officer, institution, or agency.

SECTION BY SECTION ANALYSIS

SECTION 1. Amends Subchapter A, Chapter 321, Tax Code, by adding Section 321.006, as follows:

Sec. 321.006. MAXIMUM AMOUNT OF CERTAIN TAX INCENTIVES. (a) Provides that this section applies to an agreement between a municipality or a local government corporation or other entity created by a municipality and a business under which:

- (1) the business agrees to relocate to the municipality from one or more other municipalities in this state; and
- (2) the municipality, corporation, or other entity agrees to rebate to the business an amount of tax imposed by the municipality under Chapter 321 (Municipal Sales and Use Tax Act) or an amount of revenue derived from that tax or provide a grant or loan to the business in an amount that is based on an amount of tax imposed by the municipality under this chapter or based on an amount of revenue derived from that tax.

(b) Provides that, notwithstanding any other law, if a business is relocating from one municipality in this state to another municipality pursuant to an agreement described by Subsection (a):

(1) the amount of a rebate, grant, or loan described by Subsection (a) is prohibited from exceeding the amount of any similar rebate, grant, or loan provided by the municipality from which the business is relocating; and

(2) the duration of an agreement described by Subsection (a) is prohibited from exceeding the duration of any similar agreement between the business and the municipality from which the business is relocating.

(c) Provides that, notwithstanding any other law, if a business is relocating from more than one municipality in this state to another municipality pursuant to an agreement described by Subsection (a):

(1) the amount of a rebate, grant, or loan described by Subsection (a) is prohibited from exceeding the weighted average amount of any similar rebates, grants, and loans provided by the municipalities from which the business is relocating, weighted according to the amount of taxes under this chapter collected by the business in each of those municipalities; and

(2) the duration of an agreement described by Subsection (a) is prohibited from exceeding the weighted average duration of any similar agreements between the business and the municipalities from which the business is relocating, weighted according to the amount of taxes under this chapter collected by the business in each of those municipalities.

SECTION 2. Provides that Section 321.006, Tax Code, as added by this Act, does not apply to an agreement entered into before the effective date of this Act, except that Section 321.006, Tax Code, as added by this Act, does apply to any renewal, modification, or extension of the agreement that occurs on or after the effective date of this Act.

SECTION 3. Effective date: September 1, 2025.