

BILL ANALYSIS

Senate Research Center
89R25981 CJD-F

C.S.S.B. 2747
By: Paxton
Economic Development
4/30/2025
Committee Report (Substituted)

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.

(Original Author's/Sponsor's Statement of Intent)

C.S.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. LIMITATIONS ON CERTAIN SALES TAX INCENTIVES. (a) Defines "affiliated group."

(b) Provides that this section applies to one or more agreements:

(1) the parties to which include:

(A) a municipality or a local government corporation or other entity created by the municipality; and

(B) a retailer or an entity that is a member of the same affiliated group as a retailer;

(2) the terms of which include:

(A) the relocation of an existing place of business of the retailer described by Subdivision (1)(B) or a retailer that is a member of the same affiliated groups as the retailer or entity described by Subdivision (1)(B) to the municipality described by Subdivision (1)(A) from one or more other municipalities in this state; or

(B) the establishment in the municipality described by Subdivision (1)(A) of a new place of business of the retailer described by Subdivision (1)(B) or a retailer that is a member of the same affiliated group as the retailer or entity described by Subdivision (1)(B);

(3) that have the effect of sales tax being payable to the municipality described by Subdivision (1)(A) instead of one or more municipalities in this state; and

(4) under which the municipality, corporation, or other entity described by Subdivision (1)(A) agrees to:

(A) rebate to the retailer or entity described by Subdivision (1)(B), 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 Chapter 321 (Municipal Sales and Use Tax Act) or an amount of revenue derived from that tax; or

(B) provide a grant or loan to the retailer or entity described by Subdivision (1)(B), 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 this chapter or based on an amount of revenue derived from that tax.

(c) Prohibits a municipality or a local government corporation or other entity created by the municipality, notwithstanding any other law, from entering into an agreement to which this section applies 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 as described by Subsection (b)(2)(A) or (B) unless:

(1) 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

(2) 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.

(d) Requires the Comptroller of Public Accounts of the State of Texas (comptroller), if the comptroller determines that a municipality, local government corporation, or other entity has violated Subsection (c), with respect to the retailer, to disregard the place of business described by Subsection (b)(2)(A) or (B) when determining where the sale of taxable items is consummated under Section 321.203 (Consummation of Sale) and revoke any sales tax permit issued for the location.

SECTION 2. Effective date: September 1, 2025.