

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 89TH LEGISLATIVE REGULAR SESSION

May 1, 2025

TO: Honorable Phil King, Chair, Senate Committee on Economic Development

FROM: Jerry McGinty, Director, Legislative Budget Board

IN RE: SB2747 by Paxton (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.), **Committee Report 1st House, Substituted**

No fiscal implication to the State is anticipated.

The bill would amend limitations applicable to certain agreements providing for a rebate of municipal sales and use taxes or a grant or loan based on those taxes.

The bill would add new Section 321.006, stipulating a municipality and a retailer may not enter into certain agreements regarding the relocation of an existing location of the place of business of the retailer to the municipality, in exchange for tax rebate or grant incentives, unless two specified conditions are met.

The bill would direct the Comptroller, in cases where the Comptroller has determined the municipality, local government corporation, or other entity has violated the provisions of the new section, to disregard the place of business as determined by the provisions of the bill and revoke any sales tax permit issued for the location.

The bill would take effect September 1, 2025.

Local Government Impact

Currently, a municipality may enter into an agreement with a business to provide a local sales tax rebate to the business as an incentive to locate or relocate to a given municipality.

The bill would prohibit a retailer, one of their affiliates, or another party designated by the retailer from entering into an agreement with a municipality different from the municipality or municipalities in which it is currently located for solely for tax purposes/benefits.

The bill does not provide detail regarding the evidence a business could provide the Comptroller indicating the business did not relocate solely for tax purposes or benefits, or how the Comptroller would determine such cases.

Source Agencies: 304 Comptroller of Public Accounts

LBB Staff: JMc, RStu, SD, KK