

BILL ANALYSIS

Senate Research Center
78R12375 CBH-D

C.S.S.B. 1262
By: Armbrister
Intergovernmental Relations
5/1/2003
Committee Report (Substituted)

DIGEST AND PURPOSE

Currently, major accounting firms are promoting a concept called Texas Purchasing Companies” to extract sales tax receipts from Texas cities. The Texas Purchasing Company is an office operation that is set up with little more than a desk and a telephone through which a company funnels its sales tax collections. These companies use the incentive of bringing additional sales tax revenues to cities to entice them to rebate a large portion that sales tax back to the Texas Purchasing Company. Meanwhile, the cities that are providing the infrastructure support to the underlying companies are losing those sales tax revenues to other cities that do not need to provide municipal services. C.S.S.B. 1262 prohibits municipalities or development corporations from rebating sales and use taxes to provide an economic incentive to persuade a person to relocate an existing business from a different municipality in this state.

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 Chapter 380, Local Government Code, by adding Section 380.004, as follows:

Sec. 380.004. SALES AND USE TAX REBATES. (a) Prohibits a municipality or a development corporation created under the Development Corporation Act of 1979 (Article 5190.6, V.T.C.S.) from rebating sales and use taxes to provide an economic incentive to persuade a person to relocate all or part of an existing business from a different municipality in this state.

(b) Provides that for purposes of this section, the establishment of a new business in a municipality is considered to be a relocation of part of an existing business if the existing business continues to conduct business in the original municipality, the existing business owns or operates the new business or the new business is an affiliate or subsidiary of the original business, the new business performs services that are essential to the existing business, and certain conditions are met.

SECTION 2. Effective date: September 1, 2003.
Makes application of this Act prospective.