

BILL ANALYSIS

Senate Research Center
78R7455 CBH-D

S.B. 1435
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As Filed

DIGEST AND PURPOSE

Current Texas law allows for a “purchasing company” to be located in a municipality that agrees to rebate a portion of the sales tax on materials sold by the original or parent company of the purchasing company. The purchasing company can make purchases on behalf of a third party and issue a resale certificate in connection with this first transaction in order to avoid the application of sales taxes on the original purchase. Materials and goods would be shipped to the supplier from their site of their original purchase directly to the end user. As proposed, S.B. 1435 limits a municipality or a development corporation from rebating sales and use taxes to encourage a person to relocate all or part of an existing business from a different municipality.

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 as part of 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 the 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 certain conditions are met.

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