

SUBJECT: Sourcing rules for sales and use taxation

COMMITTEE: Local Government Ways and Means — favorable, without amendment

VOTE: 6 ayes — Hill, Creighton, Elkins, C. Howard, Quintanilla, Villarreal
0 nays
1 absent — Puente

SENATE VOTE: On final passage, May 5 — 31-0

WITNESSES: No public hearing

BACKGROUND: Under Tax Code, secs. 151.051 and 151.101, the state levies a 6.25 percent sales and use tax on the price of taxable items sold in Texas or bought elsewhere for consumption in Texas.

Tax Code ch. 321 governs municipal sales and use tax. Tax Code ch. 323 governs county sales and use tax. A municipality and a county can levy taxes that do not exceed 2 percent when combined with all sales and use taxes imposed by political subdivisions in the same territory.

DIGEST: SB 2015 make changes to the imposition of local sales and use taxes concerning the source or location of the sale or service for purposes of levying the tax.

The bill would replace references to "tangible personal property" with "taxable items" in Tax Code ch. 321, to include taxable services in provisions related to municipal sales and use taxes.

The sale of a service to remodel, repair, or restore nonresidential real property would be consummated at the job site for municipal and county sales tax purposes.

The bill would delete provisions specifying that the sale of a taxable service is consummated at the place where the service was performed. The bill also would delete provisions exempting from sales tax the sale of an

item shipped to a point outside the entity and imposing sales tax in the jurisdiction in which the item was shipped.

The bill would take immediate effect if finally passed by a two-thirds record vote of the membership of each house. Otherwise, it would take effect September 1, 2007.

NOTES:

HB 3319 by Keffer, which contains provisions similar to those in SB 2015, passed the House by 142-0 on May 9 and was reported favorably, without amendment, by the Senate Finance Committee on May 19.