

Legislation Text

File #: 21-277, **Version:** 1

PRESENTER:

Jared Werner, Chief Financial Officer

SUBJECT:

Approval of a contract with Imperium Public Affairs to coordinate legislative support services during the 2021 legislature.

DEPARTMENT: Finance

COUNCIL DISTRICTS IMPACTED: Citywide

BACKGROUND INFORMATION:

During the 87th legislative session, lawmakers are contemplating a significant change in the methodology and process for sourcing local sales taxes. Current sales tax administrative code sources local sales taxes at a company's place of business. As a result, all in-state internet or call-based orders result in sales tax revenue for the taxing entities where a company's place of business that receives the orders is located. The comptroller has established a new rule that redefines where internet orders are sourced. With the change, sales taxes collected on internet sales would be sourced to the governmental entities where the order was fulfilled or received (destination). During the 86th legislature, House bills 1525 and 2153 were passed, which allowed for the collection of sales taxes from marketplace providers and remote sellers that currently do not have a place of business in Texas (i.e. Wayfair, eBay, etc.). The implementation is currently slated for October 1, 2021; intentionally to allow the legislature to contemplate this issue during the 87th legislature. If the state were to transition to a destination-based model, it is anticipated that the City's General Fund would lose approximately \$2 million in net sales tax revenue.

The proposed rule is a major change to sales tax sourcing laws and procedures. In addition, the change essentially eliminates the opportunities for taxing entities to utilize sales tax economic development agreements to recruit and retain companies. These partnerships established through current state law (Chapter 380 of the local government code) have also led to economic benefits to the state of Texas. At last, this change will require all businesses in Texas that offers online commerce to develop POS systems and processes that would need to track up to 1,600 different local sales and use tax collection rates (to support the destination-based model).

The City of New Braunfels plans to convey our concerns and thoughts as it relates to this matter. To better coordinate those discussions and interactions, City staff recommends partnering with Imperium Public Affairs to assist staff with a comprehensive strategic plan to advance the City's objectives through the remainder of the 2021 legislative session regarding Chapter 380 program.

The initial contract term will be through September 30, 2021, at a monthly cost of \$10,000, not to exceed \$75,000.

ISSUE:

Strategic Priorities 9: Maintain fiscal stability of City operations.

FISCAL IMPACT:

Funding for these services will be supported by the non-departmental department of the FY 2021 Adopted Budget.

RECOMMENDATION:

Staff recommends approval of a contract with Imperium Public Affairs to provide public affairs services during the 2021 legislature.