

Texas House Bill 621 from the 80th Session of the Texas Legislature

Finance, Audit and Accountability City Council
Committee Meeting

October 22, 2007

Purpose

- Review House Bill 621 (HB 621) that was passed during the 80th Session of the Texas State Legislature
- Provide information from the Dallas Central Appraisal District as it pertains to the City of Dallas
- Recommend City Council action based on available options

Background on HB 621

- HB 621 was signed into law during the 80th Session of the Texas State Legislature
- Known as the “Super Freeport” bill, the legislation exempts goods that reside temporarily in warehouses within a city while awaiting shipment to other locations within or outside of Texas
 - This is different from the current Freeport exemption which exempts goods in transit for shipment outside of the State within 175 days
- The legislation allows cities to “opt out” and continue to tax goods in transit within Texas

Background- Continued

- The in-state exemption will begin on January 1, 2008 unless the Dallas City Council “opts out” by holding a public hearing and passing an ordinance by December 31
- The North Central Texas Council of Governments (NCTCOG) has been working with member cities to address this legislation
- Cities in the region that wish to grant the exemption have been asked to notify NCTCOG’s executive director so that other cities can be informed
 - Most cities have indicated that they intend to “opt-out”

Impacts of HB 621

- No Action will result in an exemption of \$1.2 billion of the tax base (based on estimates from the Dallas Central Appraisal District)
 - Revenue reduction of \$8.7 million
 - Revenue loss would be effective for the FY 08-09 Budget
 - This is equivalent to 1.06 cents on the tax rate

Options- “Opt-Out” of Exemption

- HB 621 requires that cities choosing to “opt out” must:
 - Hold a public hearing; and
 - Pass an ordinance no later than December 31, 2007
- To “opt out”, the following schedule is recommended:
 - Call a public hearing on November 12, 2007
 - Hold a public hearing on November 28, 2007
 - Approve an ordinance on November 28, 2007
- The Dallas City Council can reverse this action in the future

Options- Do not “Opt Out”

- Take no action by December 31, 2007
- This will automatically provide the tax exemption for goods that reside temporarily in warehouses within the city while awaiting shipment to other locations within Texas
- Loss of \$8.7M in revenue for the FY 08-09
Dallas City Budget



Recommendation

- “Opt Out” of the in-state exemption on goods in transit residing temporarily in warehouses



Next Steps

- Call the public hearing on November 12, 2007
- Hold public hearing and pass ordinance on November 28, 2007