

CITY OF COPPELL

2021 LEGISLATIVE PRIORITIES

With Talking Points

Sales Tax Sourcing Legislation –

The City of Coppel has a longstanding economic development policy designed to attract business-to-business and warehouse users. This is consistent with our geographic location and complements surrounding communities and the region. Over the years, The City of Coppel has worked with the Comptroller, other cities and the business community to develop a respected compromise structure for origin sourcing for storefront and warehouse distribution center sales that was overwhelmingly adopted by the Legislature and supported by the majority of municipal governments.

A shift from origin to destination-based sales tax sourcing in Texas would reverse 50 years of sales tax administration and treatment. A change to destination sourcing would result in the loss of millions of dollars in revenue annually from Coppel and disperse those dollars to municipalities across the state in de-minimus amounts barely noticeable by the receiving entity, but at a tremendous cost to Coppel.

Destination sourcing takes sales tax remittances from business in Coppel and directs those dollars to municipalities that have not support of the business that generated the tax. This is most directly felt on business to business taxable transactions. Coppel recognizes that remote (out of state) and marketplace sales to represent a different set of circumstances. That is why Coppel, along with cities throughout the state supported legislation last session that would direct those sales to destination locations. We further support closing the loophole in that legislation that would direct ALL marketplace sales, not just 3rd party marketplace seller sales, to the destination location.

The City of Coppel opposes any further changes in the sourcing of sales tax remittance for Texas retail sales tax permit holders from the current origin of sale method to any method that would include destination as the way sales tax remittance is calculated.

Sales Tax Sourcing can be a very confusing issue and tinkering with carefully vetted statute could lead to many unintended consequences. We have seen that happen with the consequences of the Comptroller's Rule 3.334 adoption that "reinterprets" the sourcing statute that hasn't changed in over a decade. Most cities do not know what will happen to them if either sales tax sourcing in Texas is changed to destination-based from origin-based or the national Streamline Sales Tax Initiative is adopted.

Texas has long been an origin-based sales tax state. Cities have intentionally designed their economic development, community development, and other programs following this longstanding sourcing law.

1. Many communities, Coppel included, have revenue bond indebtedness that relies on current law and resulting revenues to make the debt service payments. The move to destination-based sales tax collection would devastate some and certainly harm all such cities.

2. As a result of the Comptroller's new statutory interpretation in adopted Rule 3.334, the City of Coppell stands to lose around \$24,000,000 annually should the adopted rule take effect in October 2021.

Streamline Sales Tax Initiative - The City of Coppell supports Texas' adoption of additional simplifications found within the Streamlined Sales and Use Tax Agreement. Specifically, the requirements for remote seller registration and an established rate and boundary database provided to remote sellers that make remittances easier for those businesses. Coppell also supports the specific provisions within the SSUTA that allow Texas to maintain its current Origin Sourcing for intrastate transactions. Intrastate Origin sourcing allows Texas businesses to maintain their current easy method of sales tax sourcing and remittance while not disrupting decades of established sales tax treatment.

Remote Seller Tax Treatment - The City of Coppell supports additional changes to the Remote Seller legislation (HB 2153) adopted by the Legislature during the 86th Session. Current, single rate remote seller legislation provides for a \$500,000 in sales per year into Texas before a company is required to register. That de-minimus amount should be lowered over time as more simplifications are made. Additionally, current legislation allows a remote seller to collect a single rate for the state that the comptroller will allocate to local governments on a formula based upon current sales tax remittances. A fair way to allocate those remittances would be on a per-capita basis for each taxing entity.

Building Materials – Support legislation repealing and or amending HB 2439 which unnecessarily prohibited cities from regulating building products, materials or methods used in construction of residential or commercial structures.

Short Term Rentals – Support legislation preserving local decisions with regard to protecting neighborhood integrity including the allowance of the Comptroller to collect the city's portion of tax; and to include the provision requiring the STR operator to be owner-occupied; and to require the home to be available on a limited portion or intermittent basis; and to require a short term rental to obtain specific use permit to regulate the terms and conditions of such occupancy.

Amendment to Chapter 327 Municipal Sales and Use Tax for Street Maintenance – Support an amendment to Chapter 327 which allows for all cities to request authorization from voters for up to ten (10) years and provides clarifications on use of the tax and ballot language related to reauthorization.

Hotel Occupancy Tax Revenues for Park Improvements – Support legislation allowing the expenditure of municipal hotel occupancy tax revenues to be used by the city for the construction of improvements in municipal parks.

Local Decisions – The City of Coppell expressly opposes any measures that would limit, reduce, or remove the ability to make local decisions that municipalities have today regarding their respective abilities to govern, finance, or otherwise make decisions on behalf of the communities we serve. It is often said that the best government is that which is closest to the people. There is no level of government effort closer to the public than locally elected officials who represent

municipalities and other local political subdivisions. What works for one municipality does not necessarily work in another. The locally elected Mayors and City Council members are best suited to make decisions on behalf of their respective communities.

1. Preemption of city regulation on numerous items is a red herring argument.
2. Cities have and do regulate many things that are municipal and specific to their respective community's culture and desire.
3. Cities have not over-reached to regulate things they were not authorized to do. When proven otherwise, regulation is overturned without the need for bad legislation.
4. The "liberty" argument is hollow, particularly when voters approve measures they believe are in their best interest.
5. Voters can speak for themselves. Locally elected representatives know best what their respective communities desire.
6. Local decisions should be left to local representatives.
7. Get this one thing right and many of the other issues go away.

Property Tax Caps – The City of Coppell opposes all efforts to implement ad valorem property tax caps.

The well documented and undeniable property tax inequities that occur because of these types of measures alone should be reason enough to oppose this type of legislation. In addition, these types of measures that have been adopted in other states have severely limited the ability of municipalities and counties to maintain infrastructure, programs and services, the very things that the public expects from its government.

Property tax caps have known unintended consequences that result in major inequities over time regarding the property taxes paid by different individuals in similarly situated homes.

1. Legislation already exists that empowers the citizens to limit the growth in taxes through SB2 and no new revenue and voter approval laws.
2. While nobody really likes property taxes, much of the tax revenue in growing and mature communities is used to operate and maintain facilities, roads, parks and services that were previously voter approved – it does no good to build the fire station and not staff it, no good to build the library and not equip it.
3. At the end of the day, locally elected Mayors and City Council Members listen to their citizens and know what is best for their respective communities.
4. Cities and counties are not the reason why property taxes are high in Texas. The reason is the WAY the State of Texas underfunds schools. Cities and counties are about 20% each and the schools district property taxes are approximately 50% to 60% of a property tax bill depending upon where you live.

Revenue Caps – The City of Coppell opposes any legislation or attempt to alter the way municipalities in the State of Texas currently generate revenues or to require voter approval of revenue increases.

Voter approval of the budget actions of the Mayor and City Council is accomplished each time a

member of the Council seeks re-election. The above discussion regarding property tax caps is similar to how this type of measure that also limits the ability to maintain needed infrastructure, programs and services.

1. Texas municipalities are already a major source of funding for the state. Cities and counties receive virtually no state funding. Texas is one of only few states that treats cities and counties in this manner.
2. Cities and counties are the economic generators for the state and if their ability to raise local revenue is capped, they will not be able to offer tax abatements to attract new businesses into the state. When that happens, the Texas economy will begin to decline, and we will be just like every other state in this country.
3. Leave our revenues alone; we do not want to find ourselves in the same position as independent school districts in our state, that being underfunded.
4. The growth of revenues other than property taxes provides the opportunity to keep property taxes from rising.
5. Simple formulas that cap revenue growth on inflation and population growth do not work. The implementation of a major program, such as a new recreation facility, fire station, library, etc., often are much more expensive than the revenue growth from one year would fund based on the previous year's population growth and inflation.
6. Any bill requiring voter approval of an increased level of revenue is fraught with problems due to the budget adoption cycle for Texas municipalities and the now limited number of dates that a municipality can hold an election.
7. At the end of the day any discussion regarding the belief that overall taxation in Texas is too high is failing to recognize that we have no income tax, something that we all agree is a bad addition to the tax revenue tool chest. Texas in fact has one of the lowest overall tax burdens in the entire country.
8. The problem is SCHOOL TAXES. They are up to 60% of a tax bill and if you are Chapter 41 school district like CISD local taxpayers send money to the State. The State has historically underfunded schools and they are trying to divert the attention from the real problem and make it someone else's.
9. Not only would does a lower no new revenue rate not produce significant property tax relief, the cumulative effect would be to reduce funding for everything the City provides.

“Dark Store” Taxation – Big box stores have been challenging property tax assessments based on the “true cash value” which is significantly below the assessed value. Their argument is that the building was built for a sole function and has little value for other purposes. This is detrimental to local communities as well as to the State of Texas. We urge the state to expand the definition of special purpose properties to include retail buildings of greater than 50,000 sq. ft. to require assessments of value using the “cost method” not “comparable”. If a store is 10 years or less in age, “the sale of a comparable property may not be used in determining the assessment of the comparable property if it has been vacant for more than one year, has significant restriction on its use, was sold and is no longer used for its original purpose or was not sold in an arm's length transaction.”

1. This is another ploy used by large commercial property owners intending to lower the property tax on their respective properties.
2. Granting this type of evaluation model would severely lower taxable values which in turn would harm not only local taxing entities but also the state due to the school funding

implications.

3. Various construction techniques can be applied to large commercial properties to subdivide a once large building into more than one commercial use.
4. The use of comparable properties should not be used to determine the taxable value given the very arguments being used by the industry; i.e.: their uses are so specialized.

Expenditure Limitations – The City of Coppell opposes any legislation that would limit the elected Mayors and City Councils of Texas municipalities from adopting budgets that they deem appropriate for their respective communities or that would require voter approval for increases in expenditures.

The City of Coppell employs a very open budgeting process during which there are multiple opportunities for the citizens to participate. Texas citizens are protected by SB2 and no new revenue and voter approval provisions. Once again, voter approval of the actions of the Mayor and City Council is accomplished each time they seek re-election.

1. Whenever the state passes along an unfunded mandate it causes local property taxes to go up. That is why the state per capita tax burden is so low. It is because the state passes along so much of the burden to the local governments.
2. Communities should be left to decide for themselves the level of funding they deem appropriate and they do this by participating in community visioning processes, budget processes, voting on capital improvements
3. Formulas that allow for the growth in debt service funding but not operations and maintenance funding to requisite levels to program and maintain the capital improvements are counterintuitive. Once again, it does no good to build it, even if voters approve if the revenues that are necessary to operate and maintain the improvement are not available.
4. Any bill requiring voter approval of an increased level of expenditure is fraught with problems due to the budget adoption cycle for Texas municipalities and the now limited number of dates that a municipality can hold an election.

Education Funding – The City of Coppell supports efforts that would more adequately fund education from state revenue funds that would also decrease the amount of recapture currently required of districts such as the Coppell Independent School District. The percent of total state funding per pupil for public education has been continually decreasing. The legislature should turn attention to developing measures that would adequately fund education in our state, or at least fund education at historic levels.

1. While not a municipal issue on its face, the continued underfunding of public education is unacceptable.
2. The voucher issue takes even more money from public education under the guise of making it possible for the average citizen to choose private schools when the average person cannot afford private schools even with the voucher payment.
3. School choice wherein parents could choose to send their children to any school of their choice would over-run quality districts from a classroom space perspective while the State is funding an even less percentage of the total cost for those quality district to remain such.

4. Additional state funding for public education is necessary if true property tax relief is to be seen by property owners in Texas.
5. The state funding as a percent per pupil of the total continues to decline noticeably even though public education funding is one of 4 or 5 major issues the state should be doing.

Transportation – The City of Coppel supports the North Texas Commission’s and Regional Transportation Council’s legislative agenda. Making real, meaningful progress on transportation initiatives is vital as our state continues to grow rapidly. More specifically, the DFW region continues to grow at a rate that is simply overwhelming the transportation system. The building of additional highway capacity is essential if the region is to continue to thrive as a very important economic engine for the entire State of Texas. Mass transit via rail must also become a reality in a much larger scale than currently exists as the continuation of sprawl becomes at some point unsustainable. This issue should be near the top of the priority list of items the requiring legislative attention.

1. The RTC and Rail North Texas initiatives are vital if the region is to maintain the economic generator status that the state needs from the north Texas area.
2. State funding for transportation projects in the Dallas/Ft. Worth area is vital.
3. Ensuring TXDOT and NCTA perform as expected is important. Make them keep their promises.
4. Coppel supports regional rail initiatives, including the Cotton Belt DART Silver line.
5. Fund projects with dollars as first intended. Do not co-mingle funds from one TxDOT district with another unless the various stakeholders agree.
6. Support all tools necessary for successful construction of transportation projects including toll roads, tolled managed lanes, design build, concessions and any other financing avenues available.

Alcoholic Beverage Sales – Oppose any further loosening of the restrictions regarding the proximity to schools, parks, and churches where alcoholic beverages can be sold.

The community of Coppel has been built with families in mind. Our school system is one of the best in Texas. We have a very strong faith-based community and our municipal programs offer great kid-centric services to our families. Our ability to ensure safe and appropriate environments for these segments of our community is vital.

1. Leave these types of issues to the locally elected Councils to decide.
2. Current rules seem to be serving well.

Oil and Gas Wells – Support any efforts that would provide municipalities more ability to control the site of oil and gas wells as they relate to residential developments, any occupied buildings, and environmental sensitive areas such as creeks, rivers and drainage ways.

The proliferation of gas wells in the north Texas area has created concern regarding their proximity to residences, schools, parks, other occupied buildings and environmentally sensitive areas. The City of Coppel would support the expansion of our ability to apply greater distance requirements, noise mitigation standards and other control measures deemed necessary to protect our citizens from the problems caused by the gas exploration and production process. The associated air quality that

has been well documented is also very important.

1. The exploration of the Barnett Shale in north Texas has led to much discussion regarding how communities can protect their citizens and business communities from the harmful effects of the drilling and operation of gas wells.
2. The rights of these companies to locate pipelines virtually any place they please is a frightening proposition.
3. Texas cities are to some degree severely hampered to regulate these activities due to current state law.
4. It appears that urban drilling was not contemplated when the legislation was passed. If it was contemplated, it was not done so effectively.

Power Grid Hardening - Oppose any attempt by the State to require hardening of the Texas power grid to protect it from EMP/EMC effects IF the costs of such hardening would be passed along to the consumer. (This would be an incredibly expensive undertaking and the current “plan” is to have the utility companies pass the cost along through rate increases).

Broadband and Smart Cities - Support the legislature in efforts to incentivize and recognize the importance of broadband, smart cities and the application of technology solutions through grants, awards, and other means. Texas should encourage the deployment of and assist whenever possible, cities efforts to modernize. The legislature in developing a statewide strategy must however recognize that there is no one size fits all solution as cities are ultimately responsible to their citizens desires. Additionally, local governments should receive market value for private for-profit companies utilization or public property and public right-of-way.