



**AGENDA ITEM REQUEST FORM
CITY OF JOHNSON CITY, TEXAS
CITY COUNCIL**

ITEM NO. 19

MEETING DATE: May 3, 2022

AGENDA PLACEMENT:

- ☐ Ceremonial
- ☐ Consent
- ☒ Individual
- ☐ Closed Session

CAPTION:

Discussion of and direction on the City of Johnson City's imposition and collection of sales and use taxes in newly annexed areas contained within the City's Extraterritorial Jurisdiction (ETJ), as amended, including, but not limited to, the following:

- a. Tax Code Chapter 321 Municipal Sales and Use Tax Act;
- b. Health and Safety Code Chapter 775 Emergency Services Districts;
- c. Blanco County Emergency Services District No. 1 sales and use tax imposition and collections;
- d. Blanco County North Library District sales and use tax imposition and collections; and
- e. Future agreements allocating sales and use tax collections among the aforementioned entities. (Staff)

STRATEGIC WORK PLAN:

- | | |
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| <input type="checkbox"/> Not Applicable | <input type="checkbox"/> Goal 5: Improve Fire Safety |
| <input type="checkbox"/> Goal 1: Increase Housing Diversity | <input type="checkbox"/> Goal 6: Improve Streets |
| <input type="checkbox"/> Goal 2: Expand Quality Lodging | <input type="checkbox"/> Goal 7: Increase Publicity & Promotion of the Community |
| <input type="checkbox"/> Goal 3: Improve Code Enforcement | <input checked="" type="checkbox"/> Goal 8: Increase Economic Development Activities |
| <input type="checkbox"/> Goal 4: Improve Streetscaping & Signage | |

EXECUTIVE SUMMARY:

Upon annexation of the Old River Crossing RV resort property, City Staff submitted the annexation ordinance to the State Comptroller's Office for sales and use tax purposes. The Comptroller responded with a letter confirming receipt of the ordinance and a statement declaring that the City's portion of sales and use taxes would be decreased to zero (\$0) given the existing imposition of sales and use taxes by the Blanco County ESD No. 1 and Blanco County North

Library District. This is problematic because, as the City expands, it would only be able to rely on property tax collections to support services in newly annexed territories.

The ESD excludes, for sales tax purposes, any area within the Cities of Johnson City or Round Mountain, except for areas in the district annexed by Johnson City after May 4, 2021. The Library District excludes the City of Johnson City, except for areas in the district annexed by Johnson City between January 21, 2003 and May 3, 2021.

A City and ESD can enter into an agreement to share sales and use taxes:

Sec. 775.0754. SALES AND USE TAX AGREEMENT WITH MUNICIPALITY AFTER ANNEXATION.

(a) This section applies when:

- (1) a municipality annexes for full purposes part of a district that imposes a sales and use tax; and
- (2) the annexed area is not removed from the district.

(b) The municipality and the district may, before or after the annexation, agree on an allocation between the municipality and the district of revenue from the sales and use tax imposed in the annexed area.

(c) Under policies and procedures that the comptroller considers reasonable, the comptroller shall pay the amounts agreed to between the municipality and the district.

(d) A municipality that enters into an agreement under this section is not required to provide emergency services in that annexed territory. To the extent of a conflict between this subsection and Section 43.056, Local Government Code, or any other law, this subsection controls.

(e) Section 321.102(f), Tax Code, does not apply if the municipality and the district enter into an agreement under this section.

Added by Acts 2013, 83rd Leg., R.S., Ch. 1060 (H.B. 3159), Sec. 2, eff. September 1, 2013.

FINANCIAL: N/a

ATTACHMENTS:

- Email from State Comptroller's Office dated April 5, 2022;
- Blanco Co. ESD No. 1 Sales and Use Tax Map;
- Blanco Co. N. Library District Sales and Use Tax Map.

SUGGESTED ACTION: No motion provided.

PREPARED BY: City Staff