



City of San Antonio

Agenda Memorandum

File Number:
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Agenda Item Number: 2

Agenda Date: September 30, 2024

In Control: Transportation and Infrastructure Committee

DEPARTMENT: Transportation Department

DEPARTMENT HEAD: Catherine Hernandez

COUNCIL DISTRICTS IMPACTED: Citywide

SUBJECT:

VIA Telecommunications Sales Tax Exemption

SUMMARY:

Briefing and possible action on VIA's Advanced Transportation District (ATD) Board approving a resolution to repeal the application of the exemption of taxes on sales within the ATD's entity area of telecommunication services and approves VIA's decision to impose such a tax on telecommunication services.

BACKGROUND INFORMATION:

In 1973, Texas Legislature authorized a local sales tax for transit (Metropolitan Transit Authorities - MTA). In 1977 Bexar County voters approved the creation of the first MTA in Texas. VIA Metropolitan Transit was funded by a ½ cent (.5%) sales tax. In 1987 telecom companies appealed to the state legislature to create an exemption from sales taxes for their industry.

Under Section 322.109 of the Texas Tax Code, there are exempted from the taxes imposed by a taxing entity under this chapter the sales within the entity area of telecommunications services unless the application of the exemption is repealed under that section. Under Section 322.109(d) of the Texas Tax Code, the governing board of a taxing entity created under Chapter 451, Transportation Code, may not repeal the application of the exemption of taxes on sales within its entity area of telecommunications services, unless the repeal is first approved by a majority of the members of the governing body of each municipality that created the taxing entity. Since 1987, over 255 Cities, 40 Counties, 200 Special Purpose Districts, and all 7 major Metropolitan Transit Authorities (MTAs) in Texas have removed the exemption.

VIA Metropolitan Transit (VIA) is a taxing entity created under Chapter 451, Transportation Code and the Advanced Transportation District (ATD) is a governing board. The ATD does not currently impose a sales and use tax on telecommunications services sold within its entity area.

According to Texas Tax Code 321.210, in accordance with Texas State Tax code, Telecommunications companies require an administrative action from all VIA transit founding cities to reinstate the sales tax. VIA proposed to the seven municipalities an ordinance to remove the exemption on the telecom industry and require collection of sales use tax on receipts from the sale of telecommunication services within the municipalities as allowed under Texas Tax Code 321.210. To date, Leon Valley, Alamo Heights, Terrell Hills, Shavano Park, Castle Hills and Balcones Heights have all passed this ordinance within their cities. Olmos Park is set to hear this item before their City Council on November 20, 2024.

In looking at a typical resident's phone bill, sales tax is only applied to the telecommunications portion of the bill. That means the Telcom sales tax would only be applied to approximately \$12 on an average \$100 monthly phone bill. So, the estimated Telecom Tax that will be applied to this bill in the future would be about \$0.09 cents.

ISSUE:

VIA's Advanced Transportation District (ATD) resolution to repeal the sales tax exemption for telecommunication services centers on increased funding for transportation improvements. By repealing the tax exemption, VIA will generate additional sales tax revenue from telecommunication services within the ATD area. This new funding can be directed towards improving frequency to get riders to their destination faster.

The additional tax revenue can help VIA support projects that improve public transportation, such as expanding bus routes, enhancing accessibility, and modernizing transit systems. This could lead to better services for the community, encouraging more public transit use and reducing traffic congestion.

Removing the tax exemption ensures that telecommunications, like other services, contribute fairly to local taxes. This can help spread the tax burden more evenly across different sectors and ensure that critical infrastructure funding isn't reliant on a narrow revenue base.

With more funds available for transportation improvements, VIA can invest in projects that

stimulate economic activity, improve job access, and promote sustainable urban development.

Overall, the decision to repeal the exemption offers VIA a new source of revenue that can be used to strengthen the district's public transit system and contribute to long-term community growth.

FISCAL IMPACT:

There is no fiscal impact associated with this action.

ALTERNATIVES:

Council could consider not to approve an ordinance resulting in the City not removing the exemption.

RECOMMENDATION:

Action is being requested to recommend the item move forward for full City Council consideration in October 2024.