



Regular 05/13/2025
Item # 25
CCM/O 2025-003

CITY COUNCIL MEMORANDUM FOR ORDINANCE

Prepared By: Karen Evans

Approval: Yousry Zakhary

Telecommunications Sales Tax Exemption

DESCRIPTION:

Consideration and approval of an ordinance repealing the telecommunications sales tax exemption pursuant to Texas Tax Code Section 321.210 and amending the Code of Ordinances to add Article IX under Chapter 10, imposing a local sales and use tax on telecommunications services. **Third and Final Reading**

BACKGROUND:

The Texas Tax Code (§321.210) authorizes municipalities to repeal the exemption on local sales and use taxes for telecommunications services. Historically, telecommunications services have been treated differently from other taxable services at the local level. Repealing this exemption aligns Bellmead with other Texas cities that have opted in to ensure consistency in taxation across service categories.

The proposed ordinance amends the City of Bellmead Code of Ordinances by adding Article IX to Chapter 10. This action authorizes the imposition of local sales and use taxes on the sale of telecommunications services within city limits at the same rate applied to other taxable goods and services.

If adopted, the ordinance will take effect on the first day of the calendar quarter that begins after the expiration of one full calendar quarter following receipt of the ordinance and minutes by the Texas Comptroller of Public Accounts. For example, if the Comptroller receives notice before June 30, 2025, the tax would begin October 1, 2025.

FISCAL IMPACT:

While the total fiscal impact will depend on telecommunications service usage within the city, it is anticipated to result in a modest but steady increase in annual sales tax revenue.

LEGAL REQUIREMENTS:

- The ordinance requires three separate readings by the City Council.
- The City Secretary must send a certified copy of the adopted ordinance and the City Council meeting minutes to the Texas Comptroller by certified or registered mail.
- Compliance with the Open Meetings Act is required.

RECOMMENDED MOTION:

Staff recommends approving this ordinance repealing the telecommunications sales tax exemption pursuant to Texas Tax Code Section 321.210 and amending the Code of Ordinances to add Article IX under Chapter 10, imposing a local sales and use tax on telecommunications services.

ATTACHMENT(S):

- Ordinance 2025-003
- Texas Tax Code § 321.210 (Reference)

ORDINANCE NO. 2025-003

AN ORDINANCE AMENDING CHAPTER 10, "LICENSES, TAXATION, AND MISCELLANEOUS BUSINESS REGULATIONS," OF THE CODE OF ORDINANCES OF THE CITY OF BELLMEAD, TEXAS, BY ADDING ARTICLE IX, "LOCAL SALES AND USE TAX ON TELECOMMUNICATIONS SERVICES"; REPEALING THE APPLICATION OF THE EXEMPTION PROVIDED IN SECTION 321.210 OF THE TEXAS TAX CODE; PROVIDING FOR NOTIFICATION TO THE TEXAS COMPTROLLER; PROVIDING THAT THIS TAX SHALL NOT OFFSET ANY EXISTING OR FUTURE AMOUNTS OWED UNDER FRANCHISE ORDINANCES; PROVIDING FOR CUMULATIVE REPEALER, SEVERABILITY, EFFECTIVE DATE, AND COMPLIANCE WITH OPEN MEETINGS REQUIREMENTS.

WHEREAS, the City of Bellmead, Texas is a Home Rule Municipality operating under the laws of the State of Texas; and

WHEREAS, Section 321.210 of the Texas Tax Code allows municipalities to repeal the exemption from local sales and use taxes on receipts from the sale of telecommunications services; and

WHEREAS, the City Council finds that repealing this exemption is in the best interests of the City and its residents;

NOW, THEREFORE, BE IT ORDAINED BY THE CITY COUNCIL OF THE CITY OF BELLMEAD, TEXAS:

Section 1. Amendment.

That Chapter 10 of the Code of Ordinances of the City of Bellmead, Texas, is hereby amended to add Article IX, which shall read as follows:

ARTICLE IX. LOCAL SALES AND USE TAX ON TELECOMMUNICATIONS SERVICES

Sec. 10-300. Authorization of Tax.

A local sales and use tax is hereby authorized on all telecommunications services sold within the City of Bellmead in accordance with Section 321.203(g) of the Texas Tax Code. For purposes of this article, the sale of telecommunications service is consummated at the location of the device from which the call or communication originates. If the origin cannot be determined, the sale is consummated at the address to which the call or communication is billed.

Sec. 10-301. Repeal of Exemption.

The City hereby repeals the application of the exemption described in Section 321.210 of the Texas Tax Code. Such repeal shall become effective in accordance with law.

Sec. 10-302. Rate of Tax.

The rate of tax imposed by this article shall be the same rate imposed by the City for all other local sales and use taxes as authorized by state law.

Sec. 10-303. Offset Prohibited.

The tax imposed by this article shall not serve as an offset against or reduction of any amount payable by any provider of telecommunications services under any franchise, ordinance, statute, or other legal obligation to the City.

Sec. 10-304. Notification to Texas Comptroller.

The City Secretary shall promptly forward to the Texas Comptroller of Public Accounts, by certified or registered mail, a copy of this ordinance along with a copy of the minutes of the City Council meeting at which this ordinance was adopted.

Section 2. Cumulative Repealer Clause.

All ordinances or parts of ordinances in conflict with this ordinance are hereby repealed to the extent of the conflict. The remainder of such ordinances not in conflict herewith shall remain in full force and effect.

Section 3. Severability Clause.

If any sentence, paragraph, subdivision, clause, phrase, or section of this Ordinance be adjudged or held to be unconstitutional, illegal, or invalid, the same shall not affect the validity of this Ordinance as a whole, or any part or provision thereof other than the part so decided to be invalid, illegal, or unconstitutional, and shall not affect the validity of the Code of Ordinances as a whole.

Section 4. Savings Clause.

That an offense committed before the effective date of this Ordinance is governed by prior law and the provisions of the Code of Ordinance, as amended, in effect when the offense was committed, and the former law is continued in effect for this purpose.

Section 5. Effective Date.

This ordinance shall take effect immediately from and after its passage and the publication of the caption, as the law and charter in such cases provide.

Section 6. Open Meetings Compliance.

It is officially found and determined that the meeting at which this ordinance was passed was open to the public as required by Chapter 551, Texas Government Code, and that public notice of the time, place, and subject of said meeting was given as required by law.

PASSED AND APPROVED ON FIRST READING April 8, 2025.

PASSED AND APPROVED ON SECOND READING April 8, 2025.

PASSED AND APPROVED ON THIRD READING May 13, 2025.



Mayor

ATTEST:


City Secretary
Shannon Garcia



APPROVED AS TO FORM & LEGALITY:


City Attorney

TAX CODE

TITLE 3. LOCAL TAXATION

SUBTITLE C. LOCAL SALES AND USE TAXES

CHAPTER 321. MUNICIPAL SALES AND USE TAX ACT

Sec. 321.210. TELECOMMUNICATIONS EXEMPTION. (a) There are exempted from the taxes imposed under this chapter the sales within the municipality of telecommunications services unless the application of the exemption is repealed under this section. A municipality may not repeal the application of this exemption as it applies to interstate long-distance telecommunications services, but if a municipality has repealed the exemption before the effective date of Part 4, Article 1, H.B. No. 61, Acts of the 70th Legislature, 2nd Called Session, 1987, interstate long-distance telecommunications services in that municipality are not subject to taxes imposed under this chapter.

(b) The governing body of a municipality by ordinance adopted by a majority vote of the governing body in the manner required for the adoption of other ordinances may repeal the application of the exemption provided by Subsection (a) for telecommunications services sold within the municipality.

(c) A municipality that has repealed the application of the exemption may in the same manner reinstate the exemption.

(d) A vote of the governing body of a municipality repealing the application of or reinstating the exemption must be entered in the minutes of the municipality. The municipal secretary shall send to the comptroller by United States certified or registered mail a copy of each ordinance adopted under this section. The repeal of the application of the exemption or a reinstated exemption takes effect within the municipality as provided by Section [321.102\(a\)](#) after receipt of a copy of the ordinance.

Added by Acts 1987, 70th Leg., ch. 191, Sec. 1, eff. Sept. 1, 1987. Amended by Acts 1987, 70th Leg., 2nd C.S., ch. 5, art. 1, pt. 4, Sec. 33.

Sec. 321.102. EFFECTIVE DATES: NEW TAX, TAX REPEAL, BOUNDARY CHANGE. (a) A tax imposed under this chapter, a tax rate increase or decrease adopted under this chapter, or the repeal of a tax abolished under this chapter takes effect on the first day of the first calendar quarter occurring after the expiration of the first complete calendar quarter occurring after the date on which the comptroller receives a notice of the action as required by Section [321.405\(b\)](#). This subsection does not apply to the additional municipal sales and use tax.

(b) The additional municipal sales and use tax takes effect or is increased, reduced, or repealed in the municipality on the October 1st after the expiration of the first complete calendar quarter after the date on which the comptroller receives notice from the municipality of the adoption, increase, reduction, or repeal of the additional municipal sales and use tax.

(c) If a municipality in which the tax imposed under this chapter is in effect changes its boundaries, the municipal secretary shall send by United States registered or certified mail to the comptroller a certified copy of the ordinance that adds or detaches municipal territory and that shows the effective date of the boundary change. The ordinance must be accompanied by a map clearly showing the added or detached territory. Except as provided by Subsection (d), the tax takes effect in the added territory or is inapplicable to the detached territory on the first day of the first calendar quarter after the comptroller receives the ordinance and map.

(d) If, within 10 days after the receipt of an ordinance and map sent under Subsection (c), the comptroller notifies the secretary of the municipality that more time is required, the effective date of the application of the tax in the added or detached area is the first day of the first calendar quarter after the expiration of the first complete calendar quarter occurring after the date on which the comptroller receives the ordinance and map.

(e) If as a result of the imposition or increase in a sales and use tax by a municipality in which there is located all or part of a local governmental entity that has adopted a sales and use tax or as a result of the annexation by a municipality of all or part of the territory in a local governmental entity that has adopted a sales and use tax the overlapping local sales and use taxes in the area will exceed two percent, the entity's sales and use tax is automatically reduced in that area to a rate that when added to the combined rate of local sales and use taxes will equal two percent.

(f) If an entity's rate is reduced in accordance with Subsection (e), the comptroller shall withhold from the municipality's monthly sales and use tax allocation an amount equal to the amount that would have been collected by the entity had the municipality not imposed

or increased its sales and use tax or annexed the area in the entity less amounts that the entity collects following the municipality's levy of or increase in its sales and use tax or annexation of the area in the entity. The comptroller shall withhold and pay the amount withheld to the entity under policies or procedures that the comptroller considers reasonable.

(g) Subsections (e) and (f) do not apply if and during any period in which a local governmental entity has outstanding indebtedness or obligations that are payable wholly or partly from the sales and use tax revenue of the entity. A municipality may not implement the imposition or increase of the sales and use tax as a result of the circumstances described by Subsection (e) if, as a result of the implementation of that imposition or increase, the combined rate of all sales and use taxes imposed by the municipality, the local governmental entity, and any other political subdivisions having territory in the district would exceed two percent at any location in the municipality.

(h) A transit authority is not a local governmental entity for the purposes of Subsections (e) and (f).

(i) Subsection (g) does not apply to a local governmental entity or political subdivision created under Chapter [326](#), Local Government Code.

Added by Acts 1987, 70th Leg., ch. 191, Sec. 1, eff. Sept. 1, 1987. Amended by Acts 1989, 71st Leg., ch. 256, Sec. 1, eff. Sept. 1, 1989; Acts 1991, 72nd Leg., ch. 184, Sec. 3, eff. May 24, 1991; Acts 1999, 76th Leg., ch. 1467, Sec. 2.67, eff. June 19, 1999; Acts 2001, 77th Leg., ch. 1263, Sec. 74, eff. Sept. 1, 2001.

Amended by:

Acts 2015, 84th Leg., R.S., Ch. 1246 (H.B. [157](#)), Sec. 13, eff. September 1, 2015.



TEXAS COMPTROLLER OF PUBLIC ACCOUNTS

P.O. Box 13528 • Austin, TX 78711-3528

July 29, 2025

Ms. Shannon Garcia
Secretary
City of Bellmead
3015 Bellmead Dr
Bellmead, TX 76705-3097

Dear Ms. Garcia:

This is to acknowledge receipt of Ordinance No 2025-003 whereby the City of Bellmead acted to repeal the exemption from local sales and use taxes on telecommunications services sold within the city limits.

As you know, there is a provision in the Local Sales and Use Tax Statute that states one whole calendar quarter shall elapse between the time the Comptroller receives such a notification and the date it becomes effective. The repeal is then effective on the first day of the calendar quarter following the elapsed quarter. The repeal of the local sales and use tax exemption for telecommunications services will be effective October 1, 2025.

Our office will notify the telecommunications providers in the city to begin collecting the local sales tax on this date.

If you have any questions or need additional information, I can be reached at (800) 531-5441, ext. 59850. You may also write to Revenue Accounting Division, P.O. Box 13528, Austin, Texas 78711-3528. My email address is Britney.allen@cpa.texas.gov.

Sincerely,

Britney Allen
Tax Allocation Section
Revenue Accounting Division