

Sales Tax on Residential Gas and Electricity

August 7, 2018



Utility Sales Tax

- 65th Legislature, 2nd Called Session, enacted Legislation exempting residential use of gas and electricity from the State Sales Tax and **providing a local option on the 1% City Sales Tax**
- On August 29, 1978 the City of El Paso passed Ordinance 6308 to **repeal** the sales tax on residential use of gas and electricity

Utility Sales Tax

- Only cities that had a sales tax in place prior to October 1, 1979 are eligible to repeal the exemption
 - City of El Paso sales tax was effective Jan. 1, 1968
- Steps to impose sales tax on residential gas and electricity
 - Adopt an ordinance by majority vote of the membership of the city council (majority of entire council, not just those present)
 - Send a copy of the ordinance to the state comptroller

Utility Sales Tax

- 915 Texas cities are eligible to impose sales tax on residential gas and electricity
 - 774 Texas cities currently impose the tax
 - 141 Texas cities do not currently impose the tax, (El Paso and San Antonio are the only two large cities that do not impose the tax)
- Enacting the tax would generate approximately \$3 million (not currently in the budget) to fund Fire trucks and ambulances

Utility Sales Tax

Average Customer Impact

El Paso Electric	Average Bill
Before Federal Tax Reduction	\$77.80
After Federal Tax Reduction	\$74.21
With 1% sales tax	\$74.95
With 1.0771% (Franchise Fee)	\$75.75
Monthly Change	(\$2.05)

Texas Gas	Average Bill
Before Federal Tax Reduction	\$37.17
After Federal Tax Reduction	\$36.00
With GRIP Increase July 2018	\$36.98
With 1% sales Tax	\$37.35
Monthly Change	\$0.17

Residential Property Defined

1% Sales Tax on residential use of gas and electricity

34 Texas Admin. Code §3.295(a)(8)

- Residential Use as defined as
 - (A) Use by the owner of a home, apartment complex, housing complex, condominium, campground, recreational vehicle park, nursing home, or retirement home occupied by the owner as a residence;
 - (B) Use by a tenant in a home, apartment complex, housing complex, condominium, campground, recreational vehicle park, nursing home, or retirement home occupied by the tenant as a residence under a contract for an express initial term of more than 29 consecutive days. Absent a contract, only the period exceeding 29 consecutive days will be considered residential use, when supported by valid documentation (i.e., receipts, canceled checks, etc.); and
 - (C) Use for common areas of an apartment complex, housing complex, condominium, campground, recreational vehicle park, nursing home, retirement home, or homeowners' association, such as use for a recreation room, swimming pool, security gate, or for street lights and exterior lighting in a walkway or parking area.
 - (D) Residential use does not include use in health care or detention facilities, including hospitals, rehabilitation centers, substance abuse treatment centers, psychiatric facilities, prisons, jails, or other detention centers, or use by the owner or operator of a health care or detention facility.

Residential Property Defined

Environmental Services Franchise Fee

Title 9.04.020 - Definitions.

"Residential property" means all improved property which is used, or is capable to be used as a single-family dwelling, duplex, triples, quadriplex or mobile home property, and does not include improved property used primarily as a commercial property or mixed-use property.

Questions