

Texas Senate Committee on Finance Texas
State Capitol 1100 Congress Avenue
Austin, Texas 78701

Dear Chair Huffman, Vice Chair Hinojosa, and Members of the Committee,

The Marketplace Industry Association (MIA), a leading trade association, represents the dynamic ecosystem of technology-enabled marketplace platforms, including digital marketplaces and app-based platforms that are driving innovation and economic growth in Texas. MIA is committed to fostering collaboration and innovation within this vital sector of our economy.

I am writing today to express our strong support for SB265, legislation that provides critical clarity to the tax obligations of marketplace providers and will directly benefit Texas businesses and consumers. Our members facilitate transactions between buyers and sellers across a diverse range of sectors, fueling commerce and creating opportunities throughout the state. We advocate for policies that foster innovation, competition, and trust, which are the cornerstones of a healthy and thriving marketplace ecosystem. We firmly believe that fair and consistent tax policies are essential to achieve this goal. SB265 is a positive and necessary step toward clarifying and streamlining tax obligations for our members, removing unnecessary burdens that hinder growth.

Specifically, SB265 amends Sections 151.0035(b) and (c) of the Tax Code to provide crucial clarification by specifying that "data processing service" does not include:

- Services provided by a marketplace provider in relation to the processing of a sale or payment for a marketplace seller, as defined by Section 151.0242.

This clarification is not merely technical; it is crucial for avoiding ambiguity and potential overreach in the application of sales and use taxes to marketplace transactions. Without this clarity, businesses face uncertainty, which stifles investment and innovation. SB265 also provides important definitions for key terms such as "downstream payment processor," "point-of-sale payment processor," and "settling of an electronic payment transaction," further contributing to clarity and consistency in tax administration. These definitions are essential for ensuring fair and predictable application of tax law.

Furthermore, the bill includes provisions that:

- Ensure that the changes in law do not affect tax liability accruing before the effective date of the Act, providing stability and preventing disruption for businesses.
- Specify that the Act takes effect on October 1, 2025, allowing for a reasonable transition period for businesses to adapt.

We believe that SB265 will provide much-needed clarity and certainty for marketplace providers in Texas, promoting a more stable and predictable business environment. This will foster a climate where businesses can thrive, encouraging continued innovation and investment in the state's marketplace economy, ultimately benefiting both businesses and consumers throughout Texas.

Thank you for your careful consideration of this important legislation.

Sincerely,

A handwritten signature in black ink that reads 'Jeremy Gottschalk'.

Jeremy Gottschalk
Executive Director
Marketplace Industry Association