

CITY OF CASTROVILLE
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Media Release

For immediate release

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Castroville, Texas – Castroville recently learned that it will no longer have the option to levy sales tax in any areas to be annexed by the City. In November 2015, the Medina County Emergency Services District No. 1 (ESD) held an election in unincorporated areas of its district where voters were asked and approved the imposition of a local sales and use tax, effective April 2016, at a rate of 1.5% [Texas Tax Code Section 321.102(e) and (f)].

Within current city limits, Castroville collects a 1.5% sales tax and Medina County the remaining 0.5%. By State statute, total sales tax is capped at 8.25%; the State takes 6.25% and local jurisdictions have the option to impose an additional amount up to 2%.

Castroville is now barred from collecting any sales tax in future areas it may annex since sales tax cannot exceed 8.25%. As a practical matter, this means the City will be prevented from realizing any sales tax generated by Walmart upon its annexation next Spring. The City will also be precluded from any sales tax revenue in any other area annexed in the future.

In addition to sales tax, the ESD also imposes an annual ad valorem tax up to \$0.10 per \$100 valuation on all real and personal property located within its district. The ESD is governed by a five member board, and members are appointed by the Medina County Commissioner's Court.

At its sole discretion, the ESD may agree to share sales tax with Castroville in newly annexed areas. The City is currently in negotiations with the ESD in hopes of formalizing a mutually beneficial sales tax sharing agreement.

As Castroville grows, it relies heavily on sales tax revenues from incorporated areas to help pay for services, foster economic development, assist with construction of capital improvement projects and keep property taxes down. It also funds the maintenance of streets and drainage, police protection, enforcement of municipal building and fire codes, and the provision of other services and projects.

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