

**LEGISLATIVE BUDGET BOARD**  
**Austin, Texas**

**FISCAL NOTE, 78TH LEGISLATIVE REGULAR SESSION**

**May 7, 2003**

**TO:** Honorable Ron Wilson, Chair, House Committee on Ways & Means

**FROM:** John Keel, Director, Legislative Budget Board

**IN RE: HB1143** by Lewis (Relating to the application of the sales tax to services for repairing and remodeling certain commercial properties.), **As Introduced**

**Estimated Two-year Net Impact to General Revenue Related Funds** for HB1143, As Introduced: a negative impact of (\$89,262,000) through the biennium ending August 31, 2005.

**General Revenue-Related Funds, Five-Year Impact:**

Fiscal Year	Probable Net Positive/(Negative) Impact to General Revenue Related Funds
2004	(\$38,950,000)
2005	(\$50,312,000)
2006	(\$53,969,000)
2007	(\$57,638,000)
2008	(\$62,220,000)

**All Funds, Five-Year Impact:**

Fiscal Year	Probable Revenue Gain/(Loss) from <i>GENERAL REVENUE FUND 1</i>	Probable Revenue Gain/(Loss) from <i>Cities</i>	Probable Revenue Gain/(Loss) from <i>Transit Authorities</i>	Probable Revenue Gain/(Loss) from <i>Counties/Special Districts</i>
2004	(\$38,950,000)	(\$5,823,000)	(\$4,475,000)	(\$277,000)
2005	(\$50,312,000)	(\$8,358,000)	(\$6,422,000)	(\$397,000)
2006	(\$53,969,000)	(\$8,965,000)	(\$6,888,000)	(\$426,000)
2007	(\$57,638,000)	(\$9,575,000)	(\$7,357,000)	(\$455,000)
2008	(\$62,220,000)	(\$10,336,000)	(\$7,942,000)	(\$491,000)

**Fiscal Analysis**

The bill would amend Section 151.0047(a) of the Tax Code to exclude a structure or separate part of a structure that is used for commercial purposes and is located inside the boundaries of an eligible central municipality, as defined by Section 351.001 of the Tax Code, from the definition of "real property repair and remodeling" under the sales tax. As such, otherwise taxable services would be exempt from sales tax when performed on structures described by the exclusion.

The bill would take effect October 1, 2003.

**Methodology**

Currently, the cities of Dallas, Fort Worth, and San Antonio meet the population criteria under Section 351.001 of the Tax Code for an eligible central municipality. This analysis assumes that the three

cities would adopt the required capital improvement plan for the expansion of an existing convention center facility if they have not already done so.

Data on the value of real property repair and remodeling in Texas were gathered from the U.S. Census Bureau. The data were adjusted to reflect the labor component of taxable repair and remodeling services on commercial property within the eligible cities (materials would remain taxable). The resulting value was multiplied by the state sales tax rate, adjusted for the effective date of October 1, 2003, and extrapolated through 2008. The fiscal impact on units of local government were estimated proportionally, based on the value of construction and applicable tax rates in the affected jurisdictions.

### **Local Government Impact**

Local units of government would have a corresponding fiscal impact from sales tax revenues, as indicated in the above table.

**Source Agencies:** 304 Comptroller of Public Accounts

**LBB Staff:** JK, JO, SD, WP, SM