

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 78TH LEGISLATIVE REGULAR SESSION

April 9, 2003

TO: Honorable Teel Bivins, Chair, Senate Committee on Finance

FROM: John Keel, Director, Legislative Budget Board

IN RE: SB1358 by Lindsay (Relating to the use of customs brokers to obtain a refund of sales and use taxes.), As Introduced

Estimated Two-year Net Impact to General Revenue Related Funds for SB1358, As Introduced: a positive impact of \$44,555,000 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	\$19,790,000
2005	\$24,765,000
2006	\$25,780,000
2007	\$26,811,000
2008	\$27,855,000

All Funds, Five-Year Impact:

Fiscal Year	Probable Revenue Gain/(Loss) from GENERAL REVENUE FUND 1	Probable Revenue Gain/(Loss) from Cities	Probable Revenue Gain/(Loss) from Transit Authorities	Probable Revenue Gain/(Loss) from Counties/Special Districts
2004	\$19,790,000	\$3,477,000	\$663,000	\$669,000
2005	\$24,765,000	\$4,835,000	\$921,000	\$931,000
2006	\$25,780,000	\$5,033,000	\$959,000	\$969,000
2007	\$26,811,000	\$5,233,000	\$998,000	\$1,008,000
2008	\$27,855,000	\$5,438,000	\$1,036,000	\$1,047,000

Fiscal Analysis

The bill would amend Section 151.307(b) of the Tax Code to eliminate customs broker documentation as acceptable certification that tangible personal property was exported beyond the territorial limits of the United States for purposes of exempting that property from the sales tax.

Sections 151.157, 151.158, 151.159, 151.307(c), (d), and (e), 151.712, and 151.713 of the Tax Code, relating to customs brokers, the documentation provided by brokers, and the penalties related to providing improper certification of exports or for providing false information to customs brokers, would be repealed.

The bill would take effect October 1, 2003.

Methodology

The bill would implement recommendation GG 31 from the Comptroller's *e*-Texas report, *Limited Government, Unlimited Opportunity* to eliminate customs broker documentation as proof that goods were shipped outside the United States and therefore exempt from sales tax.

To determine the fiscal impact, data on the level of taxable retail sales relative to total retail sales reported in border areas were compared with the same ratio across the state. Retail sales in border areas were adjusted by this ratio to estimate taxable sales that would occur if the use of customs brokers were eliminated. The resultant level of taxable sales was adjusted for both those individuals who would utilize another form of export documentation and some decreased sales due to the elimination of the program. This increased amount of taxable sales was multiplied by the sales tax rate to determine the estimated gain to the General Revenue Fund 0001. The fiscal impacts on units of local government were estimated proportionally.

Fiscal 2004 was adjusted for an effective date of October 1, 2003.

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