

## **BILL ANALYSIS**

Senate Research Center  
79S10117 KLA-D

S.B. 27  
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Finance  
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As Filed

### **AUTHOR'S/SPONSOR'S STATEMENT OF INTENT**

Since the implementation of the sales tax holiday in 1999, Texas families have saved an estimated \$152.70 million in state sales tax and \$40.8 million in local sales tax. Some items that are currently tax-exempt include children's clothes, school uniforms, and foot wear.

However, while school-related clothing is exempt, backpacks and other necessary school supplies are still subject to sales tax during the sales tax holiday. According to the National Retail Federation, families with school-aged children spend an average of \$483.28 per year on back-to-school supplies, an increase of \$33 from 2003.

Additionally, though the current sales tax holiday has created great savings for Texas families, it occurs only in the month of August and thus does not provide for school supplies purchased during the December inter-semester period. Due to the large number of similar supplies many students have to purchase between semesters, many families find themselves spending sums comparable to the August shopping season yet without the benefit of tax relief.

S.B. 27 makes it more affordable for Texas families to provide their children with all essential school-related supplies by adding other school supplies, including backpacks, to the list of tax exempt items and allowing for a December sales tax holiday.

### **RULEMAKING AUTHORITY**

Rulemaking authority is expressly granted to the comptroller of public accounts in SECTION 2 (Section 151.327, Tax Code) of this bill.

### **SECTION BY SECTION ANALYSIS**

SECTION 1. Amends Section 151.326(a), Tax Code, to provide that the sale of an article of clothing or footwear designed to be worn on or about the human body is exempted from the taxes imposed by this chapter if the sale takes place during a period beginning at 12:01 a.m. on the first Friday in December and ending at 12 midnight on the following Sunday.

SECTION 2. Amends Subchapter H, Chapter 151, Tax Code, by adding Section 151.327, as follows:

Sec. 151.327. SCHOOL SUPPLIES BEFORE START OF SCHOOL. (a) Provides that the sale or storage, use, or other consumption of a school supply, including a backpack, is exempted from the taxes imposed by this chapter if the school supply is purchased in a certain manner.

(b) Requires the comptroller of public accounts to adopt rules specifying the school supplies that are exempt from taxation under this section.

(c) Provides that the exemption provided by this section does not apply to the purchase of a textbook.

SECTION 3. Makes application of this Act prospective.

SECTION 4. Effective date: November 1, 2005.