

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 79TH LEGISLATURE 3rd CALLED SESSION - 2006

May 2, 2006

TO: Honorable Steve Ogden, Chair, Senate Committee on Finance

FROM: John S. O'Brien, Deputy Director, Legislative Budget Board

IN RE: SB6 by Ogden (Relating to certain tax legislation enacted by the 79th Legislature, 3rd Called Session.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for SB6, As Introduced: a positive impact of \$2,643,000 through the biennium ending August 31, 2007.

General Revenue-Related Funds, Five-Year Impact:

Fiscal Year	Probable Net Positive/(Negative) Impact to General Revenue Related Funds
2007	\$2,643,000
2008	\$1,790,000
2009	\$1,822,000
2010	\$1,179,000
2011	\$1,166,000

All Funds, Five-Year Impact:

Fiscal Year	Probable Revenue Gain/(Loss) from GENERAL REVENUE FUND 1
2007	\$2,643,000
2008	\$1,790,000
2009	\$1,822,000
2010	\$1,179,000
2011	\$1,166,000

Fiscal Analysis

The bill would amend the Tax Code relating to certain tax legislation enacted by the 79th Legislature, 3rd Called Session.

The bill would add a reference to a subsection of Section 171.1011, as added by HB 3, Acts of the 79th Legislature, 3rd Called Session. The referenced subsection would allow a taxable entity that provides legal services to exclude certain flow-through funds from total revenue. The amended subsection would require that contractual flow-through funds not referenced in the subsection not be excluded from total revenue. This section would take effect only if HB 3, Acts of the 79th Legislature, 3rd Called Session, 2006, became law.

The bill would amend Section 152.0412 of the Tax Code, as added by HB 4, to include a motor vehicle dealer or adjuster operating under regulatory requirements of another state among those persons eligible to provide documentation or an appraisal to a county tax assessor-collector. This section would take effect only if HB 4, Acts of the 79th Legislature, 3rd Called Session, 2006, became

law.

The bill would amend Section 154.021 (b) of the Tax Code to increase the tax rate on cigarettes from \$20.50 to \$71.00 per thousand cigarettes weighing three pounds or less per thousand, equivalent to an increase of \$1.01 per pack of twenty. Also, the bill would amend Section 155.0211 (b) of the Tax Code to decrease the tax rate for tobacco products, other than cigars, to 34.212 percent of the manufacturer's list price. These sections would take effect only if HB 5, Acts of the 79th Legislature, 3rd Called Session, 2006, became law.

The bill would take effect September 1, 2006, unless otherwise stated.

Methodology

The proposed tax rate increases would have a negative effect on the taxable consumption of cigarettes and other tobacco products in Texas. Potential revenue collections were adjusted for consumption and tax avoidance effects and for collection lags.

Upon passage of HB 5, the effect of this bill would be to increase the cigarette tax by an additional cent per pack. The fiscal impact reflects estimated revenue gains due to the additional penny tax increase.

Also, this estimate reflects changes made to the current tax rate to the tobacco products tax as proposed in this bill, which would supersede the change proposed in HB 5.

Local Government Impact

No fiscal implication to units of local government is anticipated.

Source Agencies: 304 Comptroller of Public Accounts

LBB Staff: JOB, SD