

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 79TH LEGISLATIVE REGULAR SESSION

April 1, 2005

TO: Honorable Jim Keffer, Chair, House Committee on Ways & Means

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

IN RE: HB229 by Solomons (Relating to the application of the sunset review process to state taxes.),
As Introduced

Estimated Two-year Net Impact to General Revenue Related Funds for HB229, As Introduced: a negative impact of (\$326,190) through the biennium ending August 31, 2007.

The bill would make no appropriation but could provide the legal basis for an appropriation of funds to implement the provisions of the bill.

General Revenue-Related Funds, Five-Year Impact:

Fiscal Year	Probable Net Positive/(Negative) Impact to General Revenue Related Funds
2006	(\$163,095)
2007	(\$163,095)
2008	(\$163,095)
2009	(\$163,095)
2010	(\$163,095)

All Funds, Five-Year Impact:

Fiscal Year	Probable Savings/(Cost) from GENERAL REVENUE FUND 1	Change in Number of State Employees from FY 2005
2006	(\$163,095)	2.0
2007	(\$163,095)	2.0
2008	(\$163,095)	2.0
2009	(\$163,095)	2.0
2010	(\$163,095)	2.0

Fiscal Analysis

The bill would amend the Sunset Law (Government Code, Chapter 325) by adding a section directing the Sunset Advisory Commission to perform periodic evaluations of certain state taxes imposed by the Tax Code. The Commission would adopt a schedule for making such evaluations, and each tax would be evaluated at least once every 10 years. Most of the state's major taxes would be covered by the bill, including those for sales, motor fuels, franchise, gas and oil severance, tobacco, and mixed beverages. Evaluations would include the extent of the tax's burden on its payers, its effect on the economy, its effect on the state's obligations, the effects of other factors considered relevant by the Commission, whether retaining the tax would be in the best interests of the public, and the Commission's recommendations for retaining, repealing, or amending the tax. The Commission would present its findings to the Legislature and the Governor at each regular legislative session, along with drafts of legislation designed to implement its recommendations.

Further, the bill would amend Chapter 101 of the Tax Code to state that the above taxes would be subject to sunset provisions. For a tax the Commission had evaluated, the chapter or subtitle imposing the tax would be repealed on October 1 of the year in which the Commission reported that evaluation, unless the Legislature retained the tax.

The bill would take effect immediately upon enactment, assuming that it received the requisite two-thirds majority votes in both houses of the Legislature. Otherwise, it would take effect September 1, 2005.

Methodology

The requirement for the Sunset Advisory Commission to review state taxes will result in costs to the Commission. These costs are related to the equivalent of two additional staff and their associated costs; funds to contract for actuarial and economic expertise; and production costs to conduct the study and issue the recommendations. These costs would continue as long as the provisions of the bill remain in effect. Staff, production, and associated costs are estimated based on historical costs related to similar-sized reviews. The estimate also assumes the Commission would incur costs to contract for actuarial and economic expertise not currently available on staff.

No estimate is made concerning the effects of the bill on revenue collections.

Local Government Impact

No fiscal implication to units of local government is anticipated.

Source Agencies: 116 Sunset Advisory Commission, 304 Comptroller of Public Accounts

LBB Staff: JOB, SD, WP