

**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: HB528** by Bohac (Relating to exemptions from the sales tax for school supplies and other instructional material.), **As Introduced**

**Estimated Two-year Net Impact to General Revenue Related Funds** for HB528, As Introduced: a negative impact of (\$44,783,000) through the biennium ending August 31, 2007, if the effective date of the bill is July 1, 2005; or a negative impact of (\$26,345,000) through the biennium ending August 31, 2007, if the effective date of the bill is October 1, 2005.

The following tables assumes an effective date of July 1, 2005.

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

Fiscal Year	Probable Revenue Gain/(Loss) from <i>GENERAL REVENUE FUND</i> 1	Probable Revenue Gain/(Loss) from <i>Cities</i>	Probable Revenue Gain/(Loss) from <i>Transit Authorities</i>	Probable Revenue Gain/(Loss) from <i>Counties/SPDs</i>
2005	(\$5,819,000)	\$0	\$0	\$0
2006	(\$18,833,000)	(\$3,508,000)	(\$1,208,000)	(\$436,000)
2007	(\$20,131,000)	(\$3,750,000)	(\$1,289,000)	(\$467,000)
2008	(\$21,546,000)	(\$4,013,000)	(\$1,380,000)	(\$499,000)
2009	(\$23,060,000)	(\$4,296,000)	(\$1,478,000)	(\$535,000)
2010	(\$24,710,000)	(\$4,603,000)	(\$1,584,000)	(\$573,000)

The following table assumes an effective date of October 1, 2005.

Fiscal Year	Probable Revenue Gain/(Loss) from <i>GENERAL REVENUE FUND</i> 1	Probable Revenue Gain/(Loss) from <i>Cities</i>	Probable Revenue Gain/(Loss) from <i>Transit Authorities</i>	Probable Revenue Gain/(Loss) from <i>Counties/SPDs</i>
2006	(\$6,214,000)	\$0	\$0	\$0
2007	(\$20,131,000)	(\$3,750,000)	(\$1,289,000)	(\$467,000)
2008	(\$21,546,000)	(\$4,013,000)	(\$1,380,000)	(\$499,000)
2009	(\$23,060,000)	(\$4,296,000)	(\$1,478,000)	(\$535,000)
2010	(\$24,710,000)	(\$4,603,000)	(\$1,584,000)	(\$573,000)

**Fiscal Analysis**

The bill would amend Chapter 151 of the Tax Code to exempt certain school supplies from the limited sales and use tax if the items were purchased for use by a student in a public or private elementary or secondary school, had a sale price of less than \$100, and were purchased during the three-day sales tax holiday on clothing and footwear each August.

A retailer would not have to obtain an exemption certificate except in instances where the quantity purchased would indicate a non-school usage.

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

### **Methodology**

Data on the sale of school supplies (including backpacks) and textbooks were obtained from a variety of sources, both public and private, including the U.S. Census Bureau. The data were adjusted for the appropriate price range and time period, multiplied by the state sales tax rate, adjusted for the potential effective dates of July 1, 2005, and October 1, 2005, and extrapolated through fiscal 2010. The fiscal impacts on units of local government were estimated proportionally.

The following table indicates, for fiscal 2007, the estimated implications to the General Revenue Fund 0001 of the bill's provisions, by affected item.

Gain/(Loss) from adding school supplies:	(\$4,842,000)
Gain/(Loss) from adding backpacks:	(\$285,000)
Gain/(Loss) from adding textbooks:	(\$15,004,000)
Gain/(Loss) from adding all three items:	(\$20,131,000)

Note: This analysis assumes that a portion of the sales tax generated by college textbooks would be exempted by this bill, as well as a portion of the sales tax collected on books sold at non-college, public bookstores.

### **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:** JOB, SD, WP, SM