

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 79TH LEGISLATIVE REGULAR SESSION

May 16, 2005

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

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

IN RE: SB222 by Zaffirini (Relating to exempting books purchased by university and college students from the sales tax for a limited period.), **Committee Report 1st House, Substituted**

Estimated Two-year Net Impact to General Revenue Related Funds for SB222, Committee Report 1st House, Substituted: a negative impact of (\$55,379,000) through the biennium ending August 31, 2007, if the effective date of the bill is July 1, 2005; or a negative impact of (\$39,106,000) through the biennium ending August 31, 2007, if the effective date of the bill is October 1, 2005.

The following table 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 | (\$3,832,000) | \$0 | \$0 | \$0 |
| 2006 | (\$24,882,000) | (\$4,635,000) | (\$1,594,000) | (\$577,000) |
| 2007 | (\$26,665,000) | (\$4,967,000) | (\$1,709,000) | (\$618,000) |
| 2008 | (\$28,578,000) | (\$5,324,000) | (\$1,831,000) | (\$662,000) |
| 2009 | (\$30,630,000) | (\$5,706,000) | (\$1,963,000) | (\$710,000) |
| 2010 | (\$32,841,000) | (\$6,118,000) | (\$2,104,000) | (\$761,000) |

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 | (\$12,441,000) | (\$2,318,000) | (\$797,000) | (\$288,000) |
| 2007 | (\$26,665,000) | (\$4,967,000) | (\$1,709,000) | (\$618,000) |
| 2008 | (\$28,578,000) | (\$5,324,000) | (\$1,831,000) | (\$662,000) |
| 2009 | (\$30,630,000) | (\$5,706,000) | (\$1,963,000) | (\$710,000) |
| 2010 | (\$32,841,000) | (\$6,118,000) | (\$2,104,000) | (\$761,000) |

Fiscal Analysis

The bill would amend Chapter 151 of the Tax Code to exempt books from the sales tax if they are purchased by a student enrolled at an institution of higher education and the sales take place within a specified ten-day period each January and August.

A person could establish eligibility for the exemption by presenting a valid student identification card.

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 books in Texas were gathered from public and private sources, including Comptroller tax files. Estimated book sales were adjusted for the exemption period, multiplied by the sales tax rate, adjusted for potential effective dates of July 1, 2005 and October 1, 2005, and extrapolated through fiscal 2010. Fiscal implications on units of local government were estimated proportionally.

Local Government Impact

Local units of government would have a corresponding fiscal impact from sales tax revenues, as indicated in the above tables.

Source Agencies: 304 Comptroller of Public Accounts

LBB Staff: JOB, SD, WP, SM