

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 80TH LEGISLATIVE REGULAR SESSION

March 9, 2007

TO: Honorable Geanie Morrison, Chair, House Committee on Higher Education

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

IN RE: HB1434 by Rose (Relating to exempting books purchased by university and college students from the sales tax for a limited period.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for HB1434, As Introduced: a negative impact of (\$71,042,000) through the biennium ending August 31, 2009, if the effective date of the bill is July 1, 2007; or a negative impact of (\$55,187,000) through the biennium ending August 31, 2009, if the effective date of the bill is October 1, 2007.

The following fiscal implications assume an effective date of July 1, 2007.

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>
2007	(\$4,121,000)	\$0	\$0	\$0
2008	(\$32,302,000)	(\$6,203,000)	(\$2,128,000)	(\$800,000)
2009	(\$34,619,000)	(\$6,648,000)	(\$2,281,000)	(\$858,000)
2010	(\$37,101,000)	(\$7,124,000)	(\$2,444,000)	(\$919,000)
2011	(\$39,761,000)	(\$7,635,000)	(\$2,619,000)	(\$985,000)
2012	(\$40,612,000)	(\$8,182,000)	(\$2,807,000)	(\$1,056,000)

The following fiscal implications assume an effective date of October 1, 2007.

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>County/SPDs</i>
2008	(\$20,568,000)	(\$3,101,000)	(\$1,064,000)	(\$400,000)
2009	(\$34,619,000)	(\$6,648,000)	(\$2,281,000)	(\$858,000)
2010	(\$37,101,000)	(\$7,124,000)	(\$2,444,000)	(\$919,000)
2011	(\$39,761,000)	(\$7,635,000)	(\$2,619,000)	(\$985,000)
2012	(\$40,612,000)	(\$8,182,000)	(\$2,807,000)	(\$1,056,000)

Fiscal Analysis

The bill would amend Chapter 151 of the Tax Code to exempt books purchased by a student enrolled at an institution of higher education from the sales tax. Under the provisions of the bill, books would be exempt if purchased during a period beginning on the first Monday in August and ending the second Sunday in September or during the month of January.

The bill would require eligibility for the exemption to be established by the presentation of a valid student identification card.

The bill would take effect July 1, 2007, if it receives two-thirds vote in each house; otherwise, it would take effect October 1, 2007.

Methodology

For the purpose of this estimate, the Comptroller of Public Accounts gathered data on the sale of books in Texas from public and private sources, including Comptroller tax files. The Comptroller reported that the estimated book sales were adjusted for the exemption period and the potential effective dates; and were extrapolated through fiscal 2012. 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 table. According to the Comptroller of Public Accounts, the fiscal implications on units of local government were estimated proportionally; and there would be no impact on local governments in fiscal 2007 as August sales tax collections remitted to the Comptroller are not allocated to the local jurisdictions until the next fiscal year.

Source Agencies: 304 Comptroller of Public Accounts

LBB Staff: JOB, MN, SD, EB