

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 80TH LEGISLATIVE REGULAR SESSION

March 5, 2007

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

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

IN RE: HB1701 by Davis, Yvonne (Relating to the application of the sunset review process to certain exemptions from property taxes and state taxes.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for HB1701, As Introduced: a negative impact of (\$353,448) through the biennium ending August 31, 2009.

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
2008	(\$176,724)
2009	(\$176,724)
2010	(\$176,724)
2011	(\$176,724)
2012	(\$176,724)

All Funds, Five-Year Impact:

Fiscal Year	Probable (Cost) from <i>GENERAL REVENUE FUND</i> 1	Change in Number of State Employees from FY 2007
2008	(\$176,724)	2.0
2009	(\$176,724)	2.0
2010	(\$176,724)	2.0
2011	(\$176,724)	2.0
2012	(\$176,724)	2.0

Fiscal Analysis

The bill would add a new section to Chapter 325 of the Government Code (the Sunset Law) to direct the Sunset Advisory Commission (SAC) to perform periodic evaluations of each exemption provided in Tax Code Chapters 11 (local property tax), 151 (sales tax), 152 (motor vehicle sales tax), 162 (motor fuels taxes), and 171 (franchise tax). On or before January 1, 2008, SAC would adopt a schedule for making such evaluations, and each exemption would be evaluated at least once every six years.

The evaluations would (1) include the exemptions effects on: (a) revenue received from the taxes imposed by the chapter providing the exemption, (b) sales of property, goods, and services made in Texas, and (c) economic investment and growth in Texas; (2) consider whether retaining the exemption would be in the best interests of the public; and (3) include recommendations for retaining,

repealing, or amending the exemption.

The evaluation could consider other factors considered relevant by SAC, which would present its findings to each regular session of the Legislature and to the Governor, along with drafts of legislation necessary to implement its recommendations.

Evaluations would not apply to tax exemptions explicitly provided by the State Constitution, or to items and services that the state cannot tax under the federal constitution or federal law.

The bill would add new sections in Chapters 11 and 101 of the Tax Code, stating that the exemptions addressed by those chapters would be subject to sunset provisions. In addition, for an exemption that SAC had evaluated, the exemption and the Tax Code section containing the exemption would be repealed on December 31st of the year in which SAC reported that evaluation, unless the Legislature retained the exemption.

Methodology

This estimate assumes that the required reviews will begin during the 2008-09 biennium. This estimate assumes that approximately 200 exemptions would be subject to the required review, and that the Commission would spread these evenly over three Sunset review cycles (six years). This would result in approximately 67 exemptions up for review each biennium. Workload would also be impacted by the complexity of each category of exemption.

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.

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, CT