

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 80TH LEGISLATIVE REGULAR SESSION

March 27, 2007

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

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

IN RE: HB2593 by Bonnen (Relating to the sales tax on computer program services.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for HB2593, As Introduced: a negative impact of (\$189,505,000) through the biennium ending August 31, 2009, if the effective date of the bill is July 1, 2007; or a negative impact of (\$168,211,000) through the biennium ending August 31, 2009, if the effective date of the bill is October 1, 2007.

The table below assumes an effective date of July 1, 2007.

All Funds, Six-Year Impact:

| Fiscal Year | Probable Revenue Gain/(Loss) from <i>GENERAL REVENUE</i> <i>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</i> |
|-------------|---|---|--|---|
| 2007 | (\$6,717,000) | \$0 | \$0 | \$0 |
| 2008 | (\$87,462,000) | (\$16,794,000) | (\$5,762,000) | (\$2,167,000) |
| 2009 | (\$95,326,000) | (\$18,304,000) | (\$6,280,000) | (\$2,362,000) |
| 2010 | (\$103,359,000) | (\$19,847,000) | (\$6,809,000) | (\$2,561,000) |
| 2011 | (\$112,296,000) | (\$21,563,000) | (\$7,398,000) | (\$2,783,000) |
| 2012 | (\$120,513,000) | (\$23,141,000) | (\$7,939,000) | (\$2,986,000) |

The table below assumes an effective date of October 1, 2007.

| Fiscal Year | Probable Revenue Gain/(Loss) from <i>GENERAL REVENUE</i> <i>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</i> |
|-------------|---|---|--|---|
| 2008 | (\$72,885,000) | (\$12,596,000) | (\$4,322,000) | (\$1,625,000) |
| 2009 | (\$95,326,000) | (\$18,304,000) | (\$6,280,000) | (\$2,362,000) |
| 2010 | (\$103,359,000) | (\$19,847,000) | (\$6,809,000) | (\$2,561,000) |
| 2011 | (\$112,296,000) | (\$21,563,000) | (\$7,398,000) | (\$2,783,000) |
| 2012 | (\$120,513,000) | (\$23,141,000) | (\$7,939,000) | (\$2,986,000) |

Fiscal Analysis

The bill would amend Chapter 151 of the Tax Code to exclude all repair and maintenance services for computer programs from the sales tax. Under current law, repair and maintenance services performed on a computer program by a person who sold the program are a taxable service; however, repair and maintenance services performed on a program by a person who did not sell the program are not

taxable. The provisions of the bill would extend the exclusion to all repair and maintenance services for computer programs.

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

Methodology

The estimate provided by the Comptroller of Public Accounts is based on gathered data on the taxable sale of repair and maintenance services for computer programs from Comptroller tax files. For the purpose of this analysis, the Comptroller multiplied the data by the state sales tax rate, adjusted for the potential effective dates of July 1, 2007 and October 1, 2007, and extrapolated through fiscal 2012.

The Comptroller proportionally estimated the fiscal impacts on units of local government.

Local Government Impact

The fiscal impact to local government is illustrated in the above tables.

Source Agencies: 304 Comptroller of Public Accounts

LBB Staff: JOB, CT, SD, EB