

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 80TH LEGISLATIVE REGULAR SESSION

May 2, 2007

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

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

IN RE: HB3319 by Keffer, Jim (Relating to the sales and use tax.), **Committee Report 1st House, Substituted**

No significant fiscal implication to the State is anticipated.

The bill would amend the Tax Code relating to the sales and use tax.

The bill would amend Chapter 151 of the Tax Code to make technical changes and clarifications to provisions relating to sales tax exemptions for drugs or medicines, seedlings for trees grown for commercial timber, and aircraft. According to the Comptroller of Public Accounts, the bill would clarify technical issues regarding the administration of certain sales tax exemptions and would have no fiscal impact.

The bill would amend the Chapters 321 and 323 of the Tax Code to standardize the sourcing provisions for all taxable items as they relate to the collection of local sales and use taxes. Currently, local sales taxes on tangible personal property are imposed using origin-based sourcing rules; and local sales taxes on taxable services are imposed using destination-based sourcing rules. According to the Comptroller, the bill would restore statutes in effect before the passage of HB 2425, 78th Regular Legislative Session (2003) that changed the local sales tax sourcing provisions for taxable services from origin-based rules to destination-based rules as part of an effort to comply with the Streamlined Sales Tax Project (SSTP). The bill would also repeal Tax Code Sections 151.103(d) and 151.202(c), relating to a seller's responsibility for the collection of local use taxes under destination-based sourcing rules, and Sections 321.203(1) and 323.203(1), relating to destination-based sourcing rules for taxable services. Furthermore, the bill would specify that for the purpose of imposing local sales and use taxes, the sale of nonresidential real property repair and remodeling services are consummated at the location of the job site.

The bill would specify that a sales and use tax imposed for county development districts under Chapter 386 of the Local Government Code would take effect on the first day of the first calendar quarter after the expiration of the first complete calendar quarter occurring after the date on which the Comptroller receives notice the tax has been approved.

The bill would also repeal Section 151.0232 of the Tax Code, relating to the Comptroller's CPA Audit Program.

The bill would take effect immediately upon enactment if it receives two-thirds vote in each house; otherwise, it would take effect September 1, 2007.

Local Government Impact

According to the Comptroller of Public Accounts, the fiscal impact on units of local government cannot be determined.

Source Agencies: 304 Comptroller of Public Accounts

LBB Staff: JOB, CT, SD, EB