

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 80TH LEGISLATIVE REGULAR SESSION

April 29, 2007

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

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

IN RE: SB376 by Shapleigh (Relating to exemptions from the sales tax.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for SB376, As Introduced: a negative impact of (\$106,953,000) through the biennium ending August 31, 2009, if the effective date of the bill is July 1, 2007; or a negative impact of (\$101,857,000) 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 FUND</i> 1	Probable Revenue Gain/(Loss) from <i>City Sales Tax Revenue</i>	Probable Revenue Gain/(Loss) from <i>County/SPD Sales Tax Revenue</i>	Probable Revenue Gain/(Loss) from <i>MTA Sales Tax Revenue</i>
2007	(\$1,734,000)	\$0	\$0	\$0
2008	(\$51,647,000)	(\$9,918,000)	(\$1,281,000)	(\$3,402,000)
2009	(\$53,572,000)	(\$10,288,000)	(\$1,328,000)	(\$3,529,000)
2010	(\$55,541,000)	(\$10,664,000)	(\$1,375,000)	(\$3,659,000)
2011	(\$57,576,000)	(\$11,057,000)	(\$1,427,000)	(\$3,793,000)
2012	(\$59,703,000)	(\$11,465,000)	(\$1,479,000)	(\$3,933,000)

The table below assumes 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>City Sales Tax Revenue</i>	Probable Revenue Gain/(Loss) from <i>County/SPD Sales Tax Revenue</i>	Probable Revenue Gain/(Loss) from <i>MTA Sales Tax Revenue</i>
2008	(\$48,285,000)	(\$9,235,000)	(\$1,186,000)	(\$3,169,000)
2009	(\$53,572,000)	(\$10,288,000)	(\$1,328,000)	(\$3,529,000)
2010	(\$55,541,000)	(\$10,664,000)	(\$1,375,000)	(\$3,659,000)
2011	(\$57,576,000)	(\$11,057,000)	(\$1,427,000)	(\$3,793,000)
2012	(\$59,703,000)	(\$11,465,000)	(\$1,479,000)	(\$3,933,000)

Fiscal Analysis

The bill would amend Chapter 151 of the Tax Code to create a second, three-day sales tax holiday on clothing and footwear beginning on the first Friday in December and ending the following Sunday. The bill would also exempt school supplies from the sales tax during both tax holiday time periods and require the Comptroller of Public Accounts to adopt rules specifying which school supplies would be exempt.

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

For the purpose of this estimate, the Comptroller of Public Accounts gathered data on Texas sales of clothing, footwear, and school supplies (including backpacks) from the U.S. Census Bureau. The Comptroller adjusted the sales data for the appropriate price range and duration of the holiday periods, and then multiplied the data by the state sales tax rate. The estimates were adjusted for the potential effective dates 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. The Comptroller reported that there would be no impact on local governments in fiscal 2007 as remitted August sales tax collections would not be allocated to the local jurisdictions until fiscal 2008.

Source Agencies: 304 Comptroller of Public Accounts

LBB Staff: JOB, CT, SD, EB