

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 80TH LEGISLATIVE REGULAR SESSION

April 27, 2007

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

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

IN RE: SB865 by Watson (Relating to the sales and use tax on certain pharmaceutical biotechnology cleanrooms and equipment.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for SB865, As Introduced: a negative impact of (\$10,601,000) through the biennium ending August 31, 2009, if the effective date of the bill is July 1, 2007; or a negative impact of (\$9,779,000) through the biennium ending August 31, 2009, if the effective date of the bill is September 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>Counties</i>	Probable Revenue Gain/(Loss) from <i>Transit Authorities</i>
2007	(\$404,000)	\$0	\$0	\$0
2008	(\$5,019,000)	(\$964,000)	(\$124,000)	(\$331,000)
2009	(\$5,178,000)	(\$994,000)	(\$128,000)	(\$341,000)
2010	(\$5,333,000)	(\$1,024,000)	(\$132,000)	(\$351,000)
2011	(\$5,499,000)	(\$1,056,000)	(\$136,000)	(\$362,000)
2012	(\$5,687,000)	(\$1,092,000)	(\$141,000)	(\$375,000)

The table below assumes an effective date of September 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>Counties</i>	Probable Revenue Gain/(Loss) from <i>Transit Authorities</i>
2008	(\$4,601,000)	(\$803,000)	(\$104,000)	(\$276,000)
2009	(\$5,178,000)	(\$994,000)	(\$128,000)	(\$341,000)
2010	(\$5,333,000)	(\$1,024,000)	(\$132,000)	(\$351,000)
2011	(\$5,499,000)	(\$1,056,000)	(\$136,000)	(\$362,000)
2012	(\$5,687,000)	(\$1,092,000)	(\$141,000)	(\$375,000)

Fiscal Analysis

The bill would amend Chapter 151 of the Tax Code to extend sales tax exemptions for pharmaceutical biotechnology cleanrooms in regards to value and the time period of construction.

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

otherwise, it would take effect September 1, 2007.

Methodology

The estimate provided by the Comptroller of Public Accounts is based on gathered data from the U.S. Census Bureau for Texas expenditures on equipment used in pharmaceutical biotechnology cleanrooms. 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 September 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