

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: SB953 by Brimer (Relating to the application of the sales tax to services for repairing and remodeling certain historic commercial properties.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for SB953, As Introduced: a negative impact of (\$592,000) through the biennium ending August 31, 2009.

General Revenue-Related Funds, Five-Year Impact:

| Fiscal Year | Probable Net Positive/(Negative) Impact to General Revenue Related Funds |
|-------------|--|
| 2008 | (\$261,000) |
| 2009 | (\$331,000) |
| 2010 | (\$349,000) |
| 2011 | (\$370,000) |
| 2012 | (\$391,000) |

All Funds, Five-Year Impact:

| Fiscal Year | Probable Revenue Gain/(Loss) from <i>GENERAL REVENUE FUND 1</i> | 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 | (\$261,000) | (\$38,000) | (\$19,000) | (\$19,000) |
| 2009 | (\$331,000) | (\$53,000) | (\$26,000) | (\$26,000) |
| 2010 | (\$349,000) | (\$56,000) | (\$28,000) | (\$28,000) |
| 2011 | (\$370,000) | (\$59,000) | (\$30,000) | (\$30,000) |
| 2012 | (\$391,000) | (\$63,000) | (\$31,000) | (\$31,000) |

Fiscal Analysis

The bill would amend Section 151.0047(a) of the Tax Code to exclude certain improvements to real property from the definition of "real property repair and remodeling" under the sales tax. Under the provisions of the bill real property repair and remodeling services performed on an improvement that is included in the National Registry of Historic Places or that has been designated as a historic structure by a state agency or by a local ordinance or order, that is used for nonindustrial commercial purposes, and that is located inside the boundaries of the most populous municipality in a county in which two or more municipalities each with a population of more than 300,000 are located would be excluded from the definition and, as such, exempted from the sales tax.

According to the Comptroller of Public Accounts, only improvements located inside the city of Fort Worth would meet the criteria established under the provisions of the bill and would be affected by the proposed sales tax exclusion.

The bill would take effect October 1, 2007.

Methodology

For the purpose of this estimate, the Comptroller of Public Accounts gathered data on the value of real property repair and remodeling in Texas from the U.S. Census Bureau. The Comptroller adjusted the data to reflect the labor component of taxable repair and remodeling services on historic, nonindustrial commercial property within the city of Fort Worth (materials would remain taxable). The resulting value was multiplied by the state sales tax rate, adjusted for the effective date of October 1, 2007, and extrapolated through 2012.

The Comptroller estimated the fiscal impacts on units of local government based on the applicable tax rates in the affected jurisdictions.

Local Government Impact

The fiscal impact to local government is illustrated in the above tables. The City of Fort Worth indicates that the estimated projects allowed under the bill may generate offsetting revenue gains; however, the amount cannot be determined.

Source Agencies: 304 Comptroller of Public Accounts

LBB Staff: JOB, KJG, CT, SD, EB