

**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: SB1059** by Janek (Relating to exempting property used or consumed by a manufacturer in certain research and development activities from the sales and use tax.), **As Introduced**

**Estimated Two-year Net Impact to General Revenue Related Funds** for SB1059, As Introduced: a negative impact of (\$150,817,000) through the biennium ending August 31, 2009, if the effective date of the bill is July 1, 2007; or a negative impact of (\$133,392,000) 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>Cities</i>	Probable Revenue Gain/(Loss) from <i>Counties</i>	Probable Revenue Gain/(Loss) from <i>Transit Authorities</i>
2007	(\$5,621,000)	\$0	\$0	\$0
2008	(\$70,827,000)	(\$13,600,000)	(\$1,765,000)	(\$4,666,000)
2009	(\$74,369,000)	(\$14,280,000)	(\$1,843,000)	(\$4,899,000)
2010	(\$78,087,000)	(\$14,994,000)	(\$1,935,000)	(\$5,144,000)
2011	(\$81,992,000)	(\$15,744,000)	(\$2,032,000)	(\$5,402,000)
2012	(\$86,091,000)	(\$16,531,000)	(\$2,133,000)	(\$5,672,000)

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>Cities</i>	Probable Revenue Gain/(Loss) from <i>Counties</i>	Probable Revenue Gain/(Loss) from <i>Transit Authorities</i>
2008	(\$59,023,000)	(\$10,710,000)	(\$1,382,000)	(\$3,675,000)
2009	(\$74,369,000)	(\$14,280,000)	(\$1,843,000)	(\$4,899,000)
2010	(\$78,087,000)	(\$14,994,000)	(\$1,935,000)	(\$5,144,000)
2011	(\$81,992,000)	(\$15,744,000)	(\$2,032,000)	(\$5,402,000)
2012	(\$86,091,000)	(\$16,531,000)	(\$2,133,000)	(\$5,672,000)

**Fiscal Analysis**

The bill would amend Chapter 151 of the Tax Code to create a sales tax exemption for tangible personal property purchased by manufacturers and used or consumed in the research or development of inventions, products, processes, or technologies.

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 from the National Science Foundation on Texas expenditures for tangible personal property used for research and development in manufacturing. 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