

BILL ANALYSIS

C.S.H.B. 507
By: Brown, Betty
Ways & Means
Committee Report (Substituted)

BACKGROUND AND PURPOSE

Each state mental hospital in Texas has a volunteer services council that advocates for the mentally disabled through community education and active solicitation of goods, services, and donations that cannot be provided by the hospital due to restriction by law or limitation of funds. Fundraising activities sometimes include rummage sales, in which the council will sell donated items. The money raised from these sales and other fundraising activities allows the council to pay for such items as birthday gifts, Christmas gifts, holiday parties, computers for patient use, personal grooming items, clothing accessories, cash assistance for canteen spending for those without financial resources, special meals, parties for unit or holiday activities, and general entertainment.

Currently, a volunteer services council must pay sales tax on the funds raised through rummage sales. The value added to patient care by these councils is immeasurable, and it is unreasonable for the state to collect sales tax when the councils are subsidizing patient care for the state.

C.S.H.B. 507 exempts certain fund-raising sales conducted by a nonprofit organization that benefits patients of the second state mental health hospital built in this state from the sales and use tax.

RULEMAKING AUTHORITY

It is the committee's opinion that this bill does not expressly grant any additional rulemaking authority to a state officer, department, agency, or institution.

ANALYSIS

C.S.H.B. 507 amends provisions of the Tax Code relating to the sales and use tax to authorize a federally tax-exempt 501(c) nonprofit organization that operates to benefit the patients of the second state mental hospital built in Texas to hold a tax-free sale or auction once during each calendar month, with each sale or auction lasting for one day only. The bill exempts from the sales tax the sale by a qualified organization of a taxable item the sales price of which is \$5,000 or less, except that a taxable item manufactured by or donated to the organization may be sold tax free regardless of the sales price to any purchaser other than the donor. The bill provides that if an item is exempt from the sales tax under such provisions, the storage, use, or consumption of the item is exempt from the use tax until the item is resold or subsequently transferred.

C.S.H.B. 507 provides that if two or more organizations jointly hold a tax-free sale to which the new exemptions apply, each may hold one additional tax-free sale or auction during the calendar year in which the joint sale or auction is held.

C.S.H.B. 507 establishes that the employment and payment of an auctioneer by a nonprofit organization that benefits the mental hospital patients does not disqualify the organization from receiving the exemption.

EFFECTIVE DATE

July 1, 2009, or, if the act does not receive the necessary vote, the act takes effect September 1, 2009.

COMPARISON OF ORIGINAL AND SUBSTITUTE

C.S.H.B. 507 differs from the original by authorizing an exemption for an organization that operates to benefit the second state mental hospital built in Texas, rather than, as in the original, an organization that operates to benefit a state mental hospital without any specification of which such hospital.