

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 81ST LEGISLATIVE REGULAR SESSION

April 19, 2009

TO: Honorable Rene Oliveira, Chair, House Committee on Ways & Means

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

IN RE: HB424 by Castro (Relating to exemptions from the sales tax for certain school supplies.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for HB424, As Introduced: a negative impact of (\$16,519,000) through the biennium ending August 31, 2011, if the effective date of the bill is July 1, 2009; or a negative impact of (\$9,394,000) through the biennium ending August 31, 2011, if the effective date of the bill is October 1, 2009.

All Funds, Six-Year Impact:

Fiscal Year	Probable Revenue (Loss) from <i>General Revenue Fund</i> 1	Probable Revenue (Loss) from <i>Cities</i>	Probable Revenue (Loss) from <i>Transit Authorities</i>	Probable Revenue (Loss) from <i>Counties</i>
2009	(\$1,901,000)	\$0	\$0	\$0
2010	(\$7,190,000)	(\$1,337,000)	(\$456,000)	(\$189,000)
2011	(\$7,428,000)	(\$1,381,000)	(\$471,000)	(\$195,000)
2012	(\$7,665,000)	(\$1,426,000)	(\$486,000)	(\$201,000)
2013	(\$7,906,000)	(\$1,470,000)	(\$501,000)	(\$208,000)
2014	(\$8,160,000)	(\$1,518,000)	(\$518,000)	(\$214,000)

The above table assumes an effective date of July 1, 2009. The table below assumes an effective date of October 1, 2009.

Fiscal Year	Probable Revenue (Loss) from <i>General Revenue Fund</i> 1	Probable Revenue (Loss) from <i>Cities</i>	Probable Revenue (Loss) from <i>Transit Authorities</i>	Probable Revenue (Loss) from <i>Counties</i>
2010	(\$1,966,000)	\$0	\$0	\$0
2011	(\$7,428,000)	(\$1,381,000)	(\$471,000)	(\$195,000)
2012	(\$7,665,000)	(\$1,426,000)	(\$486,000)	(\$201,000)
2013	(\$7,906,000)	(\$1,470,000)	(\$501,000)	(\$208,000)
2014	(\$8,160,000)	(\$1,518,000)	(\$518,000)	(\$214,000)

Fiscal Analysis

The bill would amend Chapter 151 of the Tax Code, regarding the sales tax.

The bill would exempt certain school supplies from the limited sales and use tax if the items were purchased for use by a student in a public or private elementary or secondary school, had a sales price of less than \$100, and were purchased during the three-day sales tax holiday on clothing and footwear each August. A retailer would not have to obtain an exemption certificate except in instances where the quantity purchased would indicate a non-school usage.

The bill would take effect July 1, 2009, assuming that it received the requisite two-thirds majority votes in both houses of the Legislature. Otherwise, it would take effect October 1, 2009.

Methodology

Data on the sale of school supplies were obtained from the U.S. Bureau of the Census. The data were adjusted for the appropriate price range and time period, multiplied by the state sales tax rate, adjusted for the potential effective dates of July 1, 2009 and October 1, 2009, and extrapolated through fiscal 2014.

Local Government Impact

There would be a proportional loss of sales tax revenue to units of local government. There would be no impact on local governments in the first year of implementation as August sales tax collections remitted to the Comptroller will not be allocated to the local jurisdictions until the following fiscal year.

Source Agencies: 304 Comptroller of Public Accounts

LBB Staff: JOB, MN, SD, KK