

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 81ST LEGISLATIVE REGULAR SESSION

May 28, 2009

TO: Honorable Joe Straus, Speaker of the House, House of Representatives

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

IN RE: HB1801 by Bohac (relating to exemptions from the sales tax for a limited period for certain backpacks and school supplies specified by the Streamlined Sales and Use Tax Agreement.),
As Passed 2nd House

Estimated Two-year Net Impact to General Revenue Related Funds for HB1801, As Passed 2nd House: 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 bill assumes an effective date of July 1, 2009. The table below assumes an effective date of October 1, 2009.

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>Transit Authorities</i>	Probable Revenue Gain/(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 a sales tax exemption for certain purchases of school backpacks.

The bill would provide a definition for a "backpack," and would extend this exemption to include school supplies as defined by the Streamlined Sales and Use Tax Agreement. School supplies would be exempt from the sales tax if purchased for use by a student in a public or private elementary or secondary school, had a sale price of less than \$100, and were purchased during the three-day sales tax holiday on clothing and footwear each August.

The bill would amend the Tax Code and require the Comptroller, upon request, to provide county sales tax information to a county that had adopted a sales tax. It is assumed that any additional cost associated with implementation of the bill could be absorbed within existing state resources.

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