

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 81ST LEGISLATIVE REGULAR SESSION

April 26, 2009

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

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

IN RE: HB1996 by McCall (Relating to exempting the sale of certain property used for research and development from the sales tax.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for HB1996, As Introduced: a negative impact of (\$162,224,000) through the biennium ending August 31, 2011.

General Revenue-Related Funds, Five-Year Impact:

Fiscal Year	Probable Net Positive/(Negative) Impact to General Revenue Related Funds
2010	(\$71,917,000)
2011	(\$90,307,000)
2012	(\$96,430,000)
2013	(\$102,620,000)
2014	(\$108,072,000)

All Funds, Five-Year Impact:

Fiscal Year	Probable Revenue (Loss) from <i>General Revenue Fund 1</i>	Probable Revenue (Loss) from <i>Cities</i>	Probable Revenue (Loss) from <i>Transit Authorities</i>	Probable Revenue (Loss) from <i>Counties</i>
2010	(\$71,917,000)	(\$12,038,000)	(\$4,105,000)	(\$1,701,000)
2011	(\$90,307,000)	(\$16,795,000)	(\$5,727,000)	(\$2,373,000)
2012	(\$96,430,000)	(\$17,934,000)	(\$6,116,000)	(\$2,534,000)
2013	(\$102,620,000)	(\$19,085,000)	(\$6,508,000)	(\$2,697,000)
2014	(\$108,072,000)	(\$20,099,000)	(\$6,854,000)	(\$2,840,000)

Fiscal Analysis

The bill would amend Chapter 151 of the Tax Code to create a sales tax exemption for tangible personal property used directly in research or development by a person primarily engaged in manufacturing, telecommunications, or the performance of scientific or technical services related to manufacturing or telecommunications.

The exemption would apply to tangible personal property used or consumed in research or development regardless of whether it was used in the actual manufacturing or fabrication of items for ultimate sale or directly used for the provision of telecommunications services. The exemption would not apply to office equipment or supplies, or equipment or supplies used in sales, distribution, or transportation activities.

A taxpayer who pays tax on items that qualify for the exemption would be entitled to either a credit of the amount paid against sales taxes owed or a refund of the amount paid.

The bill would take effect October 1, 2009.

Methodology

Sales of tangible personal property used for research and development in manufacturing and telecommunications were estimated based on data gathered from the National Science Foundation and from Comptroller tax files. Sales were multiplied by the state sales tax rate; adjusted for the effective date of 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.

Source Agencies: 304 Comptroller of Public Accounts

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