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: **HB2583** by Hartnett (Relating to the imposition of the sales and use tax on taxable items sold or provided under certain contracts.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for HB2583, As Introduced: a negative impact of ($2,657,000) through the biennium ending August 31, 2011, if the effective date of the bill is July 1, 2009; or a negative impact of ($2,495,000) through the biennium ending August 31, 2011, if the effective date of the bill is September 1, 2009.

All Funds, Six-Year Impact:

Fiscal Year	Probable Revenue (Loss) from *General Revenue Fund* 1	Probable Revenue (Loss) from *Cities*	Probable Revenue (Loss) from *Transit Authorities*	Probable Revenue (Loss) from *Counties*
2009	($79,000)	$0	$0	$0
2010	($1,001,000)	($186,000)	($63,000)	($26,000)
2011	($1,577,000)	($293,000)	($100,000)	($41,000)
2012	($2,208,000)	($411,000)	($140,000)	($58,000)
2013	($4,637,000)	($862,000)	($294,000)	($122,000)
2014	($4,869,000)	($906,000)	($309,000)	($128,000)

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

Fiscal Year	Probable Revenue (Loss) from *General Revenue Fund* 1	Probable Revenue (Loss) from *Cities*	Probable Revenue (Loss) from *Transit Authorities*	Probable Revenue (Loss) from *Counties*
2010	($918,000)	($155,000)	($53,000)	($22,000)
2011	($1,577,000)	($293,000)	($100,000)	($41,000)
2012	($2,208,000)	($411,000)	($140,000)	($58,000)
2013	($4,637,000)	($862,000)	($294,000)	($122,000)
2014	($4,869,000)	($906,000)	($309,000)	($128,000)

Fiscal Analysis

The bill would amend Chapter 151 of the Tax Code, regarding the sales and use tax and services subject to that tax.

The bill would create definitions for "destination management services," "qualified destination management company," and "qualified destination management services contract" under the sales tax. The bill would specify that a qualified destination management company is the consumer of taxable items sold under a qualified destination management services contract and the services provided under the contract are not considered taxable services under the sales tax.

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

Methodology

Under current policy, a destination management company, as defined by the bill, is required to collect sales and use tax on the entire amount of charges to a customer related to a destination management services contract. This bill would specify that these charges would no longer be taxable. It is assumed some firms providing similar services, but not currently characterized as a destination management company, could over time restructure to take advantage of this bill's provisions.

Sales of taxable destination management services were estimated based on data gathered from Comptroller tax files. Sales were multiplied by the state tax rate; adjusted for potential effective dates of July 1, 2009 and September 1, 2009; and extrapolated through fiscal 2014.

Local Government Impact

There would be proportional loss of sales tax revenue to units of local government.

Source Agencies: 304 Comptroller of Public Accounts

LBB Staff: JOB, MN, SD, KK