

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 81ST LEGISLATIVE REGULAR SESSION
Revision 1

April 27, 2009

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

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

IN RE: HJR81 by Jackson, Jim (Proposing a constitutional amendment increasing the state general sales and use tax rate and dedicating the increased state revenue to public education and property tax relief.), **As Introduced**

The bill will have an impact of a revenue gain to the state of \$3,538,610,000 for the 2010-11 biennium. Any gain to the Property Tax Relief Fund will free up General Revenue of the same amount.

The cost for publication of the resolution is \$90,882.

General Revenue-Related Funds, Five-Year Impact:

Fiscal Year	Probable Net Positive/(Negative) Impact to General Revenue Related Funds
2010	\$0
2011	\$0
2012	\$0
2013	\$0
2014	\$0

All Funds, Five-Year Impact:

Fiscal Year	Probable Revenue Gain from <i>Property Tax Relief Fund 304</i>	Probable Revenue Gain from <i>School Equalization Fund</i>	Probable Revenue Gain from <i>State Highway Fund 6</i>
2010	\$632,791,000	\$632,791,000	\$2,378,000
2011	\$1,133,253,000	\$1,133,253,000	\$4,144,000
2012	\$1,189,402,500	\$1,189,402,500	\$4,209,000
2013	\$1,239,706,000	\$1,239,706,000	\$4,277,000
2014	\$1,291,920,000	\$1,291,920,000	\$4,348,000

Fiscal Analysis

The resolution would propose a constitutional amendment adding Section 5b to Article VII of the Texas Constitution to create the School Equalization Fund. The fund would consist of certain proceeds of state sales and use tax and other funds transferred or dedicated by general law.

The resolution would propose a constitutional amendment adding Section 25 to Article VIII of the Texas Constitution to require the state to impose the sales and use tax at a rate of 7 percent. The Legislature by general law could raise or lower the tax rate, or modify or repeal the tax.

The net revenue derived from an increase in the state sales tax rate over the rate of the tax on August

31, 2009 would be deposited, as determined by the Legislature, to the credit of the new School Equalization Fund or the Property Tax Relief Fund.

The proposed amendment would be submitted to voters at an election to be held November 3, 2009.

Methodology

Assuming the amendment passed an election by voters of the state, the state sales tax rate would increase from 6.25 percent to 7 percent. The revenue gain from the rate increase was estimated using current state sales and use tax revenue projections from the *2010-11 Biennial Revenue Estimate*. The gain to state sales tax revenue would represent the amount that would be available to be deposited to the Property Tax Relief Fund and the new School Equalization Fund. The resolution does not specify the allocation of the revenue between the two funds, but rather leaves that decision to the Legislature. For the purpose of this fiscal note, it is assumed half of the total revenue derived from the tax increase would be deposited into each fund.

The resolution does not specify an effective date for the rate increase, although it would have to be after the election date of November 3, 2009. For the purpose of this analysis, it is assumed the rate increase would have an effective date of January 1, 2010.

The Texas Constitution requires the sales tax on motor lubricants to be deposited to the State Highway Fund. Therefore, the sales tax rate increase would produce a revenue gain to the State Highway Fund.

Local Government Impact

There would be an indeterminate loss of sales tax revenue to units of local government. While the bill only changes the state sales tax rate, the increased state rate will produce a contraction of the tax base, thus leading to a loss of local government sales tax revenue.

Source Agencies: 304 Comptroller of Public Accounts

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