

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 81ST LEGISLATIVE REGULAR SESSION

March 1, 2009

TO: Honorable Steve Ogden, Chair, Senate Committee on Finance

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

IN RE: SB22 by Zaffirini (Relating to exempting books purchased by university and college students from the sales tax for a limited period.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for SB22, As Introduced: a negative impact of (\$67,668,000) through the biennium ending August 31, 2011, if the effective date of the bill is July 1, 2009; or a negative impact of (\$52,863,000) through the biennium ending August 31, 2011, if the effective date of the bill is October 1, 2009.

The following fiscal implications assume an effective date of July 1, 2009.

All Funds, Six-Year Impact:

Fiscal Year	Probable Revenue Gain/(Loss) from <i>General Revenue Fund 1</i>	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>
2009	(\$4,663,000)	\$0	\$0	\$0
2010	(\$30,330,000)	(\$5,641,000)	(\$1,924,000)	(\$752,000)
2011	(\$32,675,000)	(\$6,077,000)	(\$2,072,000)	(\$810,000)
2012	(\$35,201,000)	(\$6,547,000)	(\$2,232,000)	(\$872,000)
2013	(\$37,922,000)	(\$7,053,000)	(\$2,405,000)	(\$940,000)
2014	(\$40,853,000)	(\$7,598,000)	(\$2,591,000)	(\$1,012,000)

The following fiscal implications assume an effective date of October 1, 2009.

Fiscal Year	Probable Revenue Gain/(Loss) from <i>General Revenue Fund 1</i>	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	(\$20,188,000)	(\$2,820,000)	(\$962,000)	(\$376,000)
2011	(\$32,675,000)	(\$6,077,000)	(\$2,072,000)	(\$810,000)
2012	(\$35,201,000)	(\$6,547,000)	(\$2,232,000)	(\$872,000)
2013	(\$37,922,000)	(\$7,053,000)	(\$2,405,000)	(\$940,000)
2014	(\$40,853,000)	(\$7,598,000)	(\$2,591,000)	(\$1,012,000)

Fiscal Analysis

The bill would amend Chapter 151 of the Tax Code, regarding the sales tax, to exempt books from the sales tax when purchased by a student enrolled at a Texas institution of higher education and the sale takes place within a specified 10-day period each January and August.

A person could establish eligibility for the exemption by presenting a valid student identification card.

This 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 books in Texas were gathered from public and private sources, including Comptroller tax files. Estimated book sales were adjusted for the exemption period; multiplied by the sales tax rate; adjusted for potential effective dates for the bill of July 1, 2009, and October 1, 2009; and extrapolated through fiscal 2014. Fiscal implications on units of local government were estimated proportionally.

There would be no impact on local governments in fiscal 2009 because August sales tax collections remitted to the Comptroller are not allocated to the local jurisdictions until the next fiscal year.

Local Government Impact

Local units of government would have a corresponding fiscal impact from sales tax revenues, as indicated in the above table. According to the Comptroller of Public Accounts, there would be no impact on local governments in fiscal 2009 as August sales tax collections remitted to the Comptroller are not allocated to the local jurisdiction until the next fiscal year.

Source Agencies: 304 Comptroller of Public Accounts, 710 Texas A&M University System Administrative and General Offices, 720 The University of Texas System Administration

LBB Staff: JOB, MN, SD, KK, KY