

**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: SB144** by Ellis (Relating to exemptions from the sales tax for certain school supplies and instructional materials.), **As Introduced**

**Estimated Two-year Net Impact to General Revenue Related Funds** for SB144, As Introduced: a negative impact of (\$53,508,000) through the biennium ending August 31, 2011, if the effective date of the bill is July 1, 2009; or a negative impact of (\$30,771,000) 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> <b>1</b>	Probable Revenue (Loss) from <i>Cities</i>	Probable Revenue (Loss) from <i>Transit Authorities</i>	Probable Revenue (Loss) from <i>Counties</i>
2009	(\$5,961,000)	\$0	\$0	\$0
2010	(\$23,090,000)	(\$4,294,000)	(\$1,464,000)	(\$606,000)
2011	(\$24,457,000)	(\$4,548,000)	(\$1,551,000)	(\$642,000)
2012	(\$25,904,000)	(\$4,818,000)	(\$1,642,000)	(\$680,000)
2013	(\$27,445,000)	(\$5,104,000)	(\$1,740,000)	(\$722,000)
2014	(\$29,098,000)	(\$5,412,000)	(\$1,846,000)	(\$765,000)

The above table 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> <b>1</b>	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	(\$6,314,000)	\$0	\$0	\$0
2011	(\$24,457,000)	(\$4,548,000)	(\$1,551,000)	(\$642,000)
2012	(\$25,904,000)	(\$4,818,000)	(\$1,642,000)	(\$680,000)
2013	(\$27,445,000)	(\$5,104,000)	(\$1,740,000)	(\$722,000)
2014	(\$29,098,000)	(\$5,412,000)	(\$1,846,000)	(\$765,000)

**Fiscal Analysis**

The bill would amend Chapter 151 of the Tax Code, regarding the sales tax.

The bill would exempt certain school supplies—to include textbooks, books, other instructional materials and specific items listed in the bill—from the limited sales and use tax if the supplies were 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.

A retailer would not have to obtain an exemption certificate except in instances where the quantity purchased would indicate a non-school usage.

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 and textbooks were obtained from a variety of sources, both public and private, including the U.S. Bureau of the Census and Comptroller tax files. 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 for the bill of July 1, 2009 and October 1, 2009, and extrapolated through fiscal 2014. The fiscal impacts on units of local government were estimated proportionally.

### **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 (Scenario 1) or fiscal 2010 (Scenario 2) 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

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