

**LEGISLATIVE BUDGET BOARD**  
**Austin, Texas**

**FISCAL NOTE, 82ND LEGISLATIVE REGULAR SESSION**

**March 31, 2011**

**TO:** Honorable Harvey Hilderbran, Chair, House Committee on Ways & Means

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

**IN RE: HB268** by Hilderbran (relating to the exemption from sales and use taxes; including the motor vehicle sales and use tax, for timber and certain items used on a farm, ranch, or timber operation.), **Committee Report 1st House, Substituted**

**Estimated Two-year Net Impact to General Revenue Related Funds** for HB268, Committee Report 1st House, Substituted: a positive impact of \$1,380,000 through the biennium ending August 31, 2013.

The bill would make no appropriation but could provide the legal basis for an appropriation of funds to implement the provisions of the bill.

**General Revenue-Related Funds, Five-Year Impact:**

Fiscal Year	Probable Net Positive/(Negative) Impact to General Revenue Related Funds
2012	\$311,000
2013	\$1,069,000
2014	\$1,109,000
2015	\$1,139,000
2016	\$785,000

**All Funds, Five-Year Impact:**

Fiscal Year	Probable Revenue Gain from <i>General Revenue Fund</i> 1	Probable Revenue Gain from <i>Cities</i>	Probable Revenue Gain from <i>Transit Authorities</i>	Probable Revenue Gain from <i>Counties and other Special Districts</i>
2012	\$1,180,000	\$230,000	\$70,000	\$40,000
2013	\$1,220,000	\$240,000	\$70,000	\$40,000
2014	\$1,260,000	\$250,000	\$80,000	\$40,000
2015	\$1,290,000	\$250,000	\$80,000	\$40,000
2016	\$1,320,000	\$260,000	\$80,000	\$50,000

Fiscal Year	Probable (Cost) from <i>General Revenue Fund</i> 1	Change in Number of State Employees from FY 2011
2012	(\$869,000)	2.0
2013	(\$151,000)	2.0
2014	(\$151,000)	2.0
2015	(\$151,000)	2.0
2016	(\$535,000)	2.0

**Fiscal Analysis**

This bill would amend Chapter 151, regarding sales and use taxes, and Chapter 152, regarding motor vehicle taxes, of the Tax Code,

The bill would add new Section 151.1551 to require purchasers of certain agriculture items who claim a sales and use tax exemption to apply for an exemption number from the Comptroller's Office. The exemption number must be shown on the purchaser's exemption certificate.

Persons applying for an exemption number must use or intend to use certain items exempt under Section 151.316 on a farm or ranch as defined by Section 151.316(c) of the Code, or exempt under Section 151.3162 on a timber operation. An application for an exemption number must be on a form from the Comptroller's Office, and if applicable state the name and address of the business owned or operated in relation to which the exempt property will be used, state the type of crops, livestock or other agricultural products produced for sale, or state that the property will be used on a timber operation, and include any other data the Comptroller deems necessary. Exemption numbers would be subject to renewal every four years. An exemption certificate that states an exemption number would be sufficient documentation that the seller's receipt of the exemption certificate in good faith.

An exemption number as provided under Section 151.1551 would also be required in order to claim an exemption for a machine, trailer, or semitrailer under Section 152.091 of the Tax Code.

This bill would take effect September 1, 2011.

### **Methodology**

The bill's provisions requiring an exemption number when purchasing certain agriculture-related items, and claiming an exemption, would deter some of the improper uses of exemption certificates identified by Comptroller's Office auditors. Data on the sales of items affected by the provisions of this bill were gathered from public and private sources; adjusted to represent the share of those sales not related to agriculture use, but using an exemption certificate; and extrapolated through 2016.

The administrative cost estimate reflects the funds that would be necessary to hire 2 FTEs and contract for seasonal employees to administer the agricultural exemption program, web development and programming, and security controls.

### **Technology**

There would be a one-time technology cost of \$323,000 in fiscal year for development, programming and project management.

### **Local Government Impact**

There would be a proportional gain of sales and use tax revenue to local taxing jurisdictions.

**Source Agencies:** 304 Comptroller of Public Accounts

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