

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

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

**February 26, 2011**

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

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

**IN RE: HB744** by Raymond (Relating to exemptions from the sales tax for certain business entities during a limited period.), **As Introduced**

**Estimated Two-year Net Impact to General Revenue Related Funds** for HB744, As Introduced: a negative impact of (\$112,000,000) through the biennium ending August 31, 2013.

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

Fiscal Year	Probable Net Positive/(Negative) Impact to General Revenue Related Funds
2012	(\$40,000,000)
2013	(\$72,000,000)
2014	(\$107,000,000)
2015	(\$143,000,000)
2016	(\$180,000,000)

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

Fiscal Year	Probable Revenue (Loss) from <i>General Revenue Fund 1</i>	Probable Revenue (Loss) from <i>Cities</i>	Probable Revenue (Loss) from <i>Transit Authorities</i>	Probable Revenue (Loss) from <i>Counties</i>
2012	(\$40,000,000)	(\$7,800,000)	(\$2,400,000)	(\$900,000)
2013	(\$72,000,000)	(\$14,100,000)	(\$4,400,000)	(\$1,600,000)
2014	(\$107,000,000)	(\$21,000,000)	(\$6,500,000)	(\$2,400,000)
2015	(\$143,000,000)	(\$28,000,000)	(\$8,700,000)	(\$3,100,000)
2016	(\$180,000,000)	(\$35,300,000)	(\$11,000,000)	(\$4,000,000)

Fiscal Year	Probable Revenue (Loss) from <i>Other Special Districts</i>
2012	(\$500,000)
2013	(\$900,000)
2014	(\$1,300,000)
2015	(\$1,700,000)
2016	(\$2,200,000)

**Fiscal Analysis**

This bill would amend Subchapter H, Chapter 151, Tax Code, by adding a new Section 151.3411 to provide for sales tax exemption of certain computer equipment by certain businesses.

"Computer equipment" would be defined to include a desktop or notebook computer and related equipment, including a monitor or other display device, a printer which may be capable of other functions, and other hardware or networking equipment for computers such as adapters, modems, servers, routers, and other equipment associated with internet access. Computer equipment eligible for the exemption and for which a refund or credit could be claimed by an eligible business is equipment that is: (1) for the exclusive use and benefit of the business, (2) necessary for the operation of the business, (3) for the replacement of computer equipment for which the business paid the sales and use tax imposed by Chapter 151, Tax Code, and (4) purchased, leased, rented, or used within the fifth anniversary of a business' initial qualification as an eligible small business.

To be eligible for exemption a business must be a small business engaged in business in this state and would be required to: (1) create on or after September 1, 2011 at least 25 qualifying jobs in the county in which the business is principally located, (2) invest at least \$10 million in capital investments in this state, and (3) pay the sales and use tax imposed on the purchase, lease, rental, or use of computer equipment that is necessary for the operation of the business and for the exclusive use and benefit of the business.

The comptroller would be required to adopt rules for implementation of the new section, including rules relating to: (1) qualification of a small business for an exemption, (2) determination of the date of initial qualification as an eligible small business, and (3) circumstances under which computer equipment is considered to replace other computer equipment.

The bill would take effect September 1, 2011.

### **Methodology**

Estimates were developed using a forecast of the number of firms eligible as a small business, adjusting to reflect the portion that would meet the qualifying jobs and capital investment criteria, and applying the state sales tax rate to forecast expenditures on eligible computer equipment. The effects on units of local government were estimated proportionally.

### **Local Government Impact**

There would be a proportionate loss of sales tax revenue to local taxing units as reflected in the above tables.

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

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