

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 82ND LEGISLATIVE REGULAR SESSION

May 5, 2011

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

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

IN RE: HB2187 by Davis, John (relating to the imposition of and a limitation on the sales tax imposed on certain vessels.), **Committee Report 1st House, Substituted**

Estimated Two-year Net Impact to General Revenue Related Funds for HB2187, Committee Report 1st House, Substituted: a negative impact of (\$2,355,000) 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	(\$1,166,000)
2013	(\$1,189,000)
2014	(\$1,213,000)
2015	(\$1,238,000)
2016	(\$1,263,000)

All Funds, Five-Year Impact:

Fiscal Year	Probable Revenue (Loss) from <i>General Revenue Fund</i> 1	Probable Revenue (Loss) from <i>Game, Fish, Water Safety Ac</i> 9
2012	(\$1,166,000)	(\$55,000)
2013	(\$1,189,000)	(\$56,000)
2014	(\$1,213,000)	(\$57,000)
2015	(\$1,238,000)	(\$58,000)
2016	(\$1,263,000)	(\$59,000)

Fiscal Analysis

The bill would amend Chapter 160 of the Tax Code regarding the imposition of and limitation on the sales tax imposed on certain vessels.

The bill would amend the definition of the term "boat" to include all vessels, regardless of length, except those greater than 65 feet in length used for commercial shipping. The bill does not provide a definition for the term "commercial shipping". Currently, the term boat is defined as a vessel not more than 65 feet in length and any boats longer than 65 feet are taxed under Chapter 151 of the Tax Code.

The bill would limit the maximum amount of boat tax that could be imposed on the retail sale of a boat at \$18,000, regardless of the sales price. Effectively, any boat sold for more than \$288,000 would have a sales tax levy of \$18,000.

The bill would exempt boats that are purchased in this state from the boat tax if they are for use in another state or nation and removed from this state within 10 days from the date of sale or if a boat is

taken to a repair facility within 10 days from the date of sale for repairs or modifications and then removed from this state within 20 days from the date the repairs or modifications are completed. The Comptroller would be required to adopt rules and procedures to enforce this section.

The bill would make conforming changes to Chapter 31 of the Parks and Wildlife Code.

This bill would take effect September 1, 2011.

Methodology

The fiscal impact table above shows the impact of placing a cap on how much tax would be imposed on a retail sale of a boat, based on data provided by Texas Parks and Wildlife Department (TPWD), and extrapolated through fiscal year 2016. The taxes collected are deposited into two funds depending on who collects the tax. Taxes collected by a county tax assessor-collector are deposited into the General Revenue Fund 0001 and taxes collected by TPWD are deposited to the Game, Fish, and Water Safety Fund 0009.

Local Government Impact

By moving boats greater than 65 feet from Chapter 151 to Chapter 160 of the Tax Code there would also be an indeterminate loss of local sales and use tax revenue to the units of local government, because there are no local boat taxes imposed under Chapter 160.

Source Agencies: 304 Comptroller of Public Accounts

LBB Staff: JOB, KK, SD