

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 82ND LEGISLATIVE REGULAR SESSION

April 10, 2011

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

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

IN RE: **HB3685** by Aliseda (Relating to the collection and distribution of sales taxes and the hours of operation for certain retailers.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for HB3685, As Introduced: a positive impact of \$7,243,039 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	\$3,557,485
2013	\$3,685,554
2014	\$3,818,234
2015	\$3,955,691
2016	\$4,098,095

All Funds, Five-Year Impact:

Fiscal Year	Probable Revenue Gain/(Loss) from <i>General Revenue Fund</i> 1	Probable Savings/ (Cost) from <i>General Revenue Fund</i> 1	Probable Revenue Gain/(Loss) from <i>Property Tax Relief</i> <i>Fund</i> 304	Probable Revenue Gain/(Loss) from <i>All Local Units of</i> <i>Government-Sales Tax</i>
2012	\$3,622,979	(\$65,494)	\$65,494	\$1,047,908
2013	\$3,753,406	(\$67,852)	\$67,852	\$1,098,250
2014	\$3,888,529	(\$70,295)	\$70,295	\$1,151,011
2015	\$4,028,516	(\$72,825)	\$72,825	\$1,206,306
2016	\$4,173,542	(\$75,447)	\$75,447	\$1,264,258

Fiscal Year	Probable Revenue Gain/(Loss) from <i>All Local Units of</i> <i>Government-Mixed</i> <i>Drinks Tax</i> <i>Allocation</i>
2012	(\$406,333)
2013	(\$420,961)
2014	(\$436,115)
2015	(\$451,816)
2016	(\$468,081)

Fiscal Analysis

This bill would amend Chapter 151 of the Tax Code relating to the sales and use tax and would implement a recommendation in the report, "Repeal Sunday Liquor Sales Restrictions to Generate Additional Revenue" in the Legislative Budget Board's Government Effectiveness and Efficiency Report submitted to the Eighty-second Texas Legislature, 2011.

The bill would allow a retailer who is authorized to sell taxable items under Chapter 151 and holds a license or permit required by another law to be able to sell those items on Sundays between the hours of noon and 6 p.m.

The bill would require that 2 percent of the sales and use taxes on certain items collected on Sundays by retailers, specified in the bill, to be deposited to the Property Tax Relief Fund 0304.

This bill would take effect immediately upon enactment, assuming that it received the requisite two-thirds majority votes in both houses of the Legislature. Otherwise, it would take effect September 1, 2011.

Methodology

This revenue estimate is based on a regression analysis published in the National Tax Journal in 2007 that shows that states similar to Texas (Sunday liquor ban including no grocery store sales of liquor) experienced revenue gains and increased liquor consumption when repealing their ban on Sunday liquor sales. Updated analysis from 2010 found a 2.85 percent increase in volume after the repeal of Sunday sales restrictions. This fiscal impact assumes an increase of 2.85 percent, or 782,000 gallons, from liquor consumption in 2009. The retail sale of these additional gallons would yield \$1.9 million in liquor excise taxes per year. An additional \$3.3 million in state sales tax would be generated the first year of Sunday liquor sales assuming an average price of \$67 per gallon of distilled spirits for a gain of \$5.2 million per year.

This gain would be reduced by a loss of mixed drink tax revenue. This revenue estimate assumes that 25 percent of the annual revenue gain to package stores from additional liquor sales would be shifted from mixed drink sales, resulting in a \$1.9 million loss in mixed drinks tax collections in 2012. Assuming the statutory maximum allocation of mixed drinks tax revenues to locals, \$406,333 of the mixed drinks tax revenue loss would be to local governments and \$1.5 million would be a loss to the state in 2012.

Therefore, the liquor and sales tax revenue gain of \$5.2 million would be reduced by the mixed-drink tax loss of \$1.5 million resulting in a gain of \$3.7 million for 2012, or \$7.4 million for the 2012-13 biennium. The five-year fiscal impact estimate assumes a 3.6 percent annual growth in liquor excise taxes based on average liquor excise receipts from 2006 to 2009.

The provision requiring 2 percent of sales taxes collected on Sunday be deposited to the Property Tax Relief Fund would result in a cost to General Revenue of \$133,346 for the biennium with a corresponding gain to the Property Tax Relief Fund. After adjusting for this transfer the net gain to the the General Revenue Fund for the biennium would be \$7.25 million.

Texas Alcoholic Beverage Commission documents show that Saturday and Sunday are the most active days for Texans importing liquor for their personal use at Texas-Mexico border crossings. It is possible that opening liquor stores on the U.S. side of the border on Sundays could bring some of the transactions currently occurring in Mexico to Texas, but this gain is not included in the analysis above.

Technology

There would be no impact to technology as a result of this bill.

Local Government Impact

An estimated net revenue gain of \$1.3 million in the 2012-13 biennium to local governments is anticipated assuming a biennial revenue gain of \$2.1 million from the 2 percent local option sales tax

and mixed drinks tax loss to locals of \$406,033 in fiscal year 2012 and \$420,961 in fiscal year 2013.

Source Agencies: 304 Comptroller of Public Accounts

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