

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 82ND LEGISLATIVE REGULAR SESSION

April 6, 2011

TO: Honorable Steve Ogden, Chair, Senate Committee on Finance

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

IN RE: SB1602 by Seliger (Relating to the exemption from the sales and use tax for certain agricultural items.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for SB1602, As Introduced: a positive impact of \$1,175,000 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 | \$212,000 |
| 2013 | \$963,000 |
| 2014 | \$998,000 |
| 2015 | \$1,028,000 |
| 2016 | \$671,000 |

All Funds, Five-Year Impact:

| Fiscal Year | Probable Revenue (Loss) from <i>General Revenue Fund</i> 1 | Probable Revenue (Loss) from <i>Cities</i> | Probable Revenue (Loss) from <i>Transit Authorities</i> | Probable Revenue (Loss) from <i>Counties and Special Districts</i> |
|-------------|---|--|---|--|
| 2012 | \$1,081,000 | \$211,000 | \$66,000 | \$37,000 |
| 2013 | \$1,114,000 | \$217,000 | \$68,000 | \$38,000 |
| 2014 | \$1,149,000 | \$224,000 | \$70,000 | \$39,000 |
| 2015 | \$1,179,000 | \$230,000 | \$72,000 | \$40,000 |
| 2016 | \$1,206,000 | \$235,000 | \$73,000 | \$41,000 |

| 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

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

The bill would 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 own or operate a farm or ranch as defined by Section 151.316(c) of the Code. An application for an exemption number must be on a form from the Comptroller's Office, and provide the name and address of the business owned, the type of crops, livestock or other agricultural products sold, and any other data the Comptroller deems necessary. Exemption numbers would be subject to renewal every four years.

The 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 CPA estimate an administrative cost 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 2012 for programming and project management.

Local Government Impact

There would be a propotional gain of sales tax revenue to units of local government.

Source Agencies: 304 Comptroller of Public Accounts

LBB Staff: JOB, KK, SD