

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

**FISCAL NOTE, 83RD LEGISLATIVE REGULAR SESSION**

**April 17, 2013**

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

**FROM:** Ursula Parks, Director, Legislative Budget Board

**IN RE: HB40** by Menéndez (Relating to the sales tax exemption period for clothing, footwear, and certain other items.), **As Introduced**

**Estimated Two-year Net Impact to General Revenue Related Funds** for HB40, As Introduced: a negative impact of (\$38,167,000) through the biennium ending August 31, 2015, if the bill takes immediate effect; or a negative impact of (\$22,317,000) through the biennium ending August 31, 2015, if the effective date of the bill is September 1, 2013.

**All Funds, Six-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>
2013	(\$5,117,000)	(\$947,000)	(\$327,000)	(\$164,000)
2014	(\$16,100,000)	(\$2,979,000)	(\$1,030,000)	(\$515,000)
2015	(\$16,950,000)	(\$3,136,000)	(\$1,085,000)	(\$542,000)
2016	(\$17,800,000)	(\$3,293,000)	(\$1,139,000)	(\$570,000)
2017	(\$18,625,000)	(\$3,446,000)	(\$1,192,000)	(\$596,000)
2018	(\$19,550,000)	(\$3,617,000)	(\$1,251,000)	(\$626,000)

The above table assumes the bill takes immediate effect. The table below assumes an effective date of September 1, 2013.

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>
2014	(\$5,367,000)	(\$993,000)	(\$343,000)	(\$172,000)
2015	(\$16,950,000)	(\$3,136,000)	(\$1,085,000)	(\$542,000)
2016	(\$17,800,000)	(\$3,293,000)	(\$1,139,000)	(\$570,000)
2017	(\$18,625,000)	(\$3,446,000)	(\$1,192,000)	(\$596,000)
2018	(\$19,550,000)	(\$3,617,000)	(\$1,251,000)	(\$626,000)

**Fiscal Analysis**

The bill would amend Chapter 151 of the Tax Code, regarding the sales and use tax, to provide for a second three-day period during which certain items of clothing, footwear, backpacks and school supplies are exempt from sales tax. Under current law, the back-to-school sales tax holiday begins on the eighth day preceding the earliest date on which any school district, other than a district operating on a year-round system, may begin instruction for the school year. The bill would provide for a second sales tax holiday beginning on the fifteenth day preceding the earliest date on which any school district, other than a district operating on a year-round system, may begin instruction for the school year.

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, 2013.

### **Methodology**

The revenue implications from an additional three-day period of exempt sales were estimated proportionally to the revenue collection impacts from the existing sales tax holiday implications in the 2014-15 Biennial Revenue Estimate and as published in the *Tax Exemptions & Tax Incidence* report. The result was then adjusted for implementation dates. The fiscal impacts on units of local government were estimated proportionally.

### **Local Government Impact**

There would be a corresponding loss of sales and use tax revenue to local taxing jurisdictions.

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

**LBB Staff:** UP, KK, SD