

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 83RD LEGISLATIVE REGULAR SESSION

May 8, 2013

TO: Honorable Tommy Williams, Chair, Senate Committee on Finance

FROM: Ursula Parks, Director, Legislative Budget Board

IN RE: HB697 by Springer (Relating to a sales and use tax exemption for certain items sold by school booster clubs and support organizations; authorizing a sales and use tax exemption.), **As Engrossed**

Estimated Two-year Net Impact to General Revenue Related Funds for HB697, As Engrossed: a negative impact of (\$1,908,000) through the biennium ending August 31, 2015.

General Revenue-Related Funds, Five-Year Impact:

| Fiscal Year | Probable Net Positive/(Negative) Impact to General Revenue Related Funds |
|-------------|---|
| 2014 | (\$897,000) |
| 2015 | (\$1,011,000) |
| 2016 | (\$1,045,000) |
| 2017 | (\$1,080,000) |
| 2018 | (\$1,118,000) |

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> |
|-------------|---|--|---|--|
| 2014 | (\$897,000) | (\$165,000) | (\$58,000) | (\$27,000) |
| 2015 | (\$1,011,000) | (\$187,000) | (\$66,000) | (\$30,000) |
| 2016 | (\$1,045,000) | (\$193,000) | (\$66,000) | (\$31,000) |
| 2017 | (\$1,080,000) | (\$199,000) | (\$71,000) | (\$32,000) |
| 2018 | (\$1,118,000) | (\$206,000) | (\$73,000) | (\$33,000) |

Fiscal Analysis

The bill would amend Chapter 151 of the Tax Code relating to the exemption of certain items sold by school booster clubs and support organizations from the state sales and use tax.

The bill would add booster clubs and other school support organizations to the list of groups exempt from the taxes imposed by this chapter for the sale of food products, meals, soft drinks,

and candy for human consumption.

The bill would also exempt school spirit merchandise, as defined by the bill, sold by a booster club or other school support organization in a school during the school day, or during an event sponsored or sanctioned by the appropriate school or school district, from the taxes imposed by this chapter. The bill would stipulate that the proceeds from the sales benefit the school or school district and were sold under an agreement made with the proper school authorities.

The bill would take effect September 1, 2013.

Methodology

The total number of public and private school students was estimated from Texas Education Agency (TEA) data and other sources. The amount of money each student across grade levels 6 through 12 and their families would spend on items sold by groups made eligible for exemption by the bill, and the market share of those groups, were estimated then multiplied by the number of students in these grades. These grades were assumed to constitute the large majority of sales that would be affected by the provisions of the bill. The sales tax rate was then applied to the resulting amount and extrapolated through 2018.

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