LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 83RD LEGISLATIVE REGULAR SESSION

May 9, 2013

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

FROM: Ursula Parks, Director, Legislative Budget Board

IN RE: **HB1133** by Otto (Relating to a sales and use tax refund for tangible personal property used to provide cable television service, Internet access service, or telecommunications services and to the exclusion of that property in certain economic development agreements.), **As Engrossed**

Estimated Two-year Net Impact to General Revenue Related Funds for HB1133, As Engrossed: a negative impact of ($100,000,000) 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	($50,000,000)
2015	($50,000,000)
2016	($50,000,000)
2017	($50,000,000)
2018	($50,000,000)

All Funds, Five-Year Impact:

Fiscal Year	Probable Revenue (Loss) from *General Revenue Fund* 1
2014	($50,000,000)
2015	($50,000,000)
2016	($50,000,000)
2017	($50,000,000)
2018	($50,000,000)

Fiscal Analysis

The bill would amend Chapters 151 and 313, Tax Code, in relation to taxation of certain property used to provide cable television service, internet access service, and telecommunications service.

A new Section 151.3186 would be added to provide for refund of state sales and use tax imposed on tangible personal property directly used or consumed in or during the distribution of cable television service, the provision of internet access service, or the transmission, conveyance, routing or reception of telecommunications services by the service provider or a subsidiary of the service provider. Tax paid on items directly used or consumed in or during the provision, creation, or production of data processing or information services would not be eligible for refund.

The bill would provide for an annual limit of $50 million on the aggregate amount of refunds that could be made for each calendar year under the new section. If the total amount of tax paid by all providers and subsidiaries for a calendar year is more than $50 million, each provider or subsidiary would be entitled to a pro rata share of $50 million.

The entitlement to refunds would not apply to taxes imposed under Subtitle C, Title 3, Tax Code (local sales and use taxes).

Section 313.021(2) would be amended to exclude property for which a refund is claimed under Section 151.3186 from a limitation on appraised value in an economic development agreement under Chapter 313.

The bill would take effect September 1, 2013.

Methodology

Census Bureau data on telecommunications industry national capital expenditures on equipment and noncapitalized equipment and software expenditures was apportioned to Texas based on population, multiplied by the state sales tax rate, extrapolated through the forecast period, and adjusted for the effective date. As these amounts substantially exceed the $50 million annual limit on refunds, refunds would be expected to be made on a pro rata basis and the total would be $50 million each fiscal year.

Local Government Impact

No significant fiscal implication to units of local government is anticipated.

Source Agencies: 304 Comptroller of Public Accounts

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