

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 83RD LEGISLATIVE REGULAR SESSION

April 22, 2013

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

FROM: Ursula Parks, Director, Legislative Budget Board

IN RE: HB1162 by Thompson, Ed (Relating to a sales and use tax exemption for certain disabled veterans and surviving spouses of certain disabled veterans.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for HB1162, As Introduced: a negative impact of (\$162,160,948) through the biennium ending August 31, 2015.

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
2014	(\$76,357,000)
2015	(\$85,803,948)
2016	(\$88,803,948)
2017	(\$91,903,948)
2018	(\$95,103,948)

All Funds, Five-Year Impact:

Fiscal Year	Probable (Cost) from General Revenue Fund 1	Probable Revenue (Loss) from General Revenue Fund 1	Probable Revenue (Loss) from Cities	Probable Revenue (Loss) from Transit Authorities
2014	(\$1,057,000)	(\$75,300,000)	(\$13,900,000)	(\$4,700,000)
2015	(\$703,948)	(\$85,100,000)	(\$15,700,000)	(\$5,300,000)
2016	(\$703,948)	(\$88,100,000)	(\$16,300,000)	(\$5,500,000)
2017	(\$703,948)	(\$91,200,000)	(\$16,800,000)	(\$5,700,000)
2018	(\$703,948)	(\$94,400,000)	(\$17,400,000)	(\$5,900,000)

Fiscal Year	Probable Revenue (Loss) from <i>Counties and Special Districts</i>	Change in Number of State Employees from FY 2013
2014	(\$2,400,000)	11.0
2015	(\$2,700,000)	11.0
2016	(\$2,800,000)	11.0
2017	(\$2,900,000)	11.0
2018	(\$3,000,000)	11.0

Fiscal Analysis

The bill would amend Chapter 151, Tax Code, relating to purchases by certain disabled veterans.

A new Section 151.356 would be added to provide an exemption from sales and use tax for a resident of this state who was honorably discharged from any branch of the armed forces and has been certified by the US Department of Veterans Affairs to be in receipt of disability compensation at the 100 percent rate as a result of service-connected permanent disability, or the surviving spouse of such a person if not remarried.

Exempt purchases could be made by a member of the household of the eligible person if the purchase is to benefit the eligible person and the household member is authorized to make purchases on behalf of the eligible person.

The comptroller would be required to establish a registration system for persons eligible for the exemption, and a registration number would have to be stated on an exemption certificate. The registration system would be required to include electronic means for application, and an online system to enable a seller to verify the validity of a registration number although a seller would not be required to use the online system.

The bill would take effect September 1, 2013.

Methodology

Data on the number of veterans with a 100 percent disability rating and the applicable disability compensation rate from the US Department of Veterans Affairs and on the number of disabled veteran homestead exemptions was combined with data from the US Bureau of Labor Statistics on median household income of veterans and consumer expenditure survey data in order to develop an estimate of sales taxable purchases by persons eligible for exemption under the bill, extrapolated through the forecast period, multiplied by the state sales tax rate, and adjusted for the effective date. Fiscal implications for units of local government were estimated proportionally.

The Comptroller of Public Accounts would need to hire 11 FTEs to handle the processing and renewal of applications and the additional refund claims for sales taxes paid in error by disabled veterans and surviving spouses.

Technology

There would be a one-time technology cost of \$330,000 in fiscal 2014 for programming and systems support costs.

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