

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 83RD LEGISLATIVE REGULAR SESSION

May 6, 2013

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

FROM: Ursula Parks, Director, Legislative Budget Board

IN RE: HB1923 by Thompson, Senfronia (relating to the administration, collection, and enforcement of sales and use taxes.), **Committee Report 1st House, Substituted**

Estimated Two-year Net Impact to General Revenue Related Funds for HB1923, Committee Report 1st House, Substituted: a negative impact of (\$24,268,000) through the biennium ending August 31, 2015. The Comptroller did not estimate revenue associated with the fee-collection provisions of the bill; to the extent such revenues were collected, the GR costs would be reduced.

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	(\$12,134,000)
2015	(\$12,134,000)
2016	(\$12,134,000)
2017	(\$12,134,000)
2018	(\$12,134,000)

All Funds, Five-Year Impact:

Fiscal Year	Probable (Cost) from General Revenue Fund 1	Change in Number of State Employees from FY 2013
2014	(\$12,134,000)	161.0
2015	(\$12,134,000)	161.0
2016	(\$12,134,000)	161.0
2017	(\$12,134,000)	161.0
2018	(\$12,134,000)	161.0

Fiscal Analysis

The bill would amend the Tax Code relating to the administration, collection, and enforcement of sales and use taxes.

The bill would allow the Comptroller or a person authorized by the Comptroller to conduct an investigation for the purposes of determining the amount of tax collected and payable to a municipality, county, or other local governmental entity under Chapters 321, 322, or 323 of the Tax Code. Under current law this is only done for the purpose of determining the amount of tax collected and payable to the state under Chapter 151 of the Tax Code. The bill would require the Comptroller, if requested, to provide a municipality, county, or other local governmental entity additional assistance by providing certain information in relation to an audit regarding taxpayers under investigation by the municipality.

The bill would direct the Comptroller to provide a requesting municipality, county, or other local governmental entity an explanation detailing the actions being taken by the Comptroller to collect the delinquent tax owed to the municipality; the date which the Comptroller will begin the review; and the periods covered by the most recent audit of the taxpayer by the Comptroller if an audit has been conducted in the previous 10 years or a statement that the Comptroller has not conducted an audit of the person during the previous 10 years. The bill would allow a municipality, county, or other local governmental entity that disagrees with the explanation given by the Comptroller to request a redetermination. The Comptroller would be allowed to set and collect reasonable fees from the municipality or other local governmental entity to cover the expense of compiling and providing the information or access to the administrative process authorized by the bill.

This bill would take effect September 1, 2013.

Methodology

Under the bill's provisions, a local taxing authority would be allowed to request, and the Comptroller required to provide, assistance in an audit regarding local sales and use taxes. Additionally, local taxing authorities could request a redetermination if they disagree with the Comptroller's explanation regarding the results of that audit. The requests for local audits and for a redetermination, should the local taxing authority disagree with the Comptroller's findings, would require additional Comptroller personnel such that current audit practices and revenue recovery would not be adversely affected by the use of existing resources on audits with possibly less revenue recovery potential.

The Comptroller of Public Accounts estimates it would be necessary to hire 161 FTEs to process, audit, litigate, and refund redeterminations on behalf of local jurisdictions.

Technology

The Comptroller of Public Accounts indicates there would be a one-time technology cost of \$100,000 in fiscal 2014 for programing and system supports costs.

Local Government Impact

The fiscal impact on units of local government cannot be determined.

Source Agencies: 304 Comptroller of Public Accounts

LBB Staff: UP, KK, SD