

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

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

**March 25, 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.), **As Introduced**

**Estimated Two-year Net Impact to General Revenue Related Funds** for HB1923, As Introduced: a negative impact of (\$24,368,000) 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	(\$12,234,000)
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 <i>General Revenue Fund</i> 1	Change in Number of State Employees from FY 2013
2014	(\$12,234,000)	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, including an estimate of the delinquent tax due; the date which the Comptroller will complete the review and make the delinquent funds available to the municipality; and the periods covered by the most recent audit of the taxpayer by the Comptroller. 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 bill allows the Comptroller to set and collect fees to cover certain expenses.

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 so 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 cost estimate reflects the funds that would be necessary to process, audit, and litigate refund redeterminations on behalf of local jurisdictions.

The Comptroller's Office indicates the option for a local funding mechanism is not feasible as written because it would not ensure a consistent funding stream as units of local government opt in and out of the provision. Also, they report that it is not possible for them to separate the benefit of sales tax audits among local jurisdictions such that there would be a demonstrable crosswalk between entities paying for these services and those benefiting from audits, but not paying. The Comptroller did not estimate any revenue to offset their costs.

## **Technology**

There would be a one-time technology cost of \$100,000 in fiscal 2014 for programming and system supports costs.

## **Local Government Impact**

The number of audits that would be performed is unknown, therefore fiscal impact on units of local government cannot be determined.

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

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