

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 83RD LEGISLATIVE REGULAR SESSION

May 5, 2013

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

FROM: Ursula Parks, Director, Legislative Budget Board

IN RE: **HB3095** by Strama (relating to the mixed beverage tax imposed on certain venues that present live music; authorizing a fee; decreasing the rate of a tax.), **Committee Report 1st House, Substituted**

Estimated Two-year Net Impact to General Revenue Related Funds for HB3095, Committee Report 1st House, Substituted: a negative impact of (\$20,188,000) 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	(\$10,423,000)
2015	(\$9,765,000)
2016	(\$10,234,000)
2017	(\$10,735,000)
2018	(\$11,258,000)

All Funds, Five-Year Impact:

Fiscal Year	Probable Savings/(Cost) from General Revenue Fund 1	Probable Revenue Gain/(Loss) from General Revenue Fund 1	Probable Revenue Gain/(Loss) from Counties	Probable Revenue Gain/(Loss) from Municipalities
2014	(\$2,397,000)	(\$8,026,000)	(\$1,069,000)	(\$988,000)
2015	(\$397,000)	(\$9,368,000)	(\$1,248,000)	(\$1,153,000)
2016	(\$397,000)	(\$9,837,000)	(\$1,310,000)	(\$1,211,000)
2017	(\$397,000)	(\$10,338,000)	(\$1,377,000)	(\$1,273,000)
2018	(\$397,000)	(\$10,861,000)	(\$1,446,000)	(\$1,337,000)

Fiscal Year	Change in Number of State Employees from FY 2013
2014	6.0
2015	6.0
2016	6.0
2017	6.0
2018	6.0

Fiscal Analysis

The bill would amend Chapter 183 of the Tax Code, regarding the mixed beverage tax.

The bill would add new Section 183.002 to allow certain bars, nightclubs or restaurants who meet specific requirements in the bill to be classified as a live music presenter. The mixed beverage tax rate for a live music presenter would be 10 percent of gross receipts. Businesses applying to become a live music presenter would be required to submit with their application an application fee in an amount to be determined by the Comptroller and a detailed description of live music events hosted by the applicant for the prior year.

The bill would direct the Comptroller and the Texas Music Office in the Governor's Office to evaluate initial applications by considering factors they deem necessary and the Comptroller sets by rule. The live music presenter classification would be valid for one year.

The bill would require renewal applicants to submit a description of the estimated tax savings due to the reduced tax rate, a description of expenditures related to live music events for the past year, and all the requirements of an initial application. Renewal applications also would be evaluated by the Comptroller and the Texas Music Office. The Comptroller would determine if the business continues to comply with the requirements of the classification and has used its tax savings on expenditures related to live music.

The bill would take effect September 1, 2013.

Methodology

The fiscal impact analysis is based on the mixed beverage tax reports of businesses that are listed with the Texas Music Office (TMO) to meet the criteria laid out in the bill. The revenue impacts based on these reports was expanded to include businesses that would qualify but are not listed with the TMO and businesses that would expand their live music offerings to meet the criteria in the bill. The estimate for fiscal 2014 was adjusted for a September 1, 2013 effective date.

The Comptroller's office estimates administrative costs necessary to hire six Full-Time Equivalents (FTEs) to review and process applications and enforce provisions related to the new tax reduction for live music presenters.

The Governor's Office estimates there would be a minimal cost associated with implementing the provisions of the bill.

Technology

The Comptroller's office estimates a one-time technology cost of \$2,000,000 in fiscal year 2014 for programming and system support costs.

Local Government Impact

The bill would have a revenue loss to units of local government, as shown in the table.

Source Agencies: 304 Comptroller of Public Accounts

LBB Staff: UP, KK, SD, AG