

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

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

**April 9, 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 a reduction in the mixed beverage tax for certain venues that present live music; authorizing a fee.), **As Introduced**

**Estimated Two-year Net Impact to General Revenue Related Funds** for HB3095, As Introduced: a negative impact of (\$129,697,000) 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	(\$62,169,000)
2015	(\$67,528,000)
2016	(\$70,644,000)
2017	(\$74,221,000)
2018	(\$77,956,000)

**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 Cities
2014	(\$2,397,000)	(\$59,772,000)	(\$6,355,000)	(\$5,786,000)
2015	(\$397,000)	(\$67,131,000)	(\$8,798,000)	(\$8,010,000)
2016	(\$397,000)	(\$70,247,000)	(\$9,366,000)	(\$8,528,000)
2017	(\$397,000)	(\$73,824,000)	(\$9,842,000)	(\$8,960,000)
2018	(\$397,000)	(\$77,559,000)	(\$10,340,000)	(\$9,414,000)

<b>Fiscal Year</b>	<b>Change in Number of State Employees from FY 2013</b>
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 7 percent of gross receipts. Businesses applying to become a live music presenter would be required to submit with their application an application fee 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 2014-15 Biennial Revenue Estimate. This analysis assumes that eighty percent of total sales subject to the mixed beverage gross receipts tax would not be affected by this bill's provisions; it is assumed the remaining twenty percent would be. 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 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:** 301 Office of the Governor, 304 Comptroller of Public Accounts

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