

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 83RD LEGISLATIVE REGULAR SESSION

May 2, 2013

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

FROM: Ursula Parks, Director, Legislative Budget Board

IN RE: HB3742 by Lavender (To repeal certain state sales, use, excise, franchise, severance, production, occupations, gross receipts and inheritance taxes, to repeal or limit certain local sales, use, excise and ad valorem property taxes, to enact a statewide and local value added tax, and to reform school finance and administration; providing penalties.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for HB3742, As Introduced: a negative impact of (\$81,387,439,000) through the biennium ending August 31, 2015.

The imposition of a state Value Added Tax would offset some of these losses; however the amount of revenue collections from the state VAT cannot be determined at this time.

General Revenue-Related Funds, Five-Year Impact:

Fiscal Year	Probable Net Positive/(Negative) Impact to General Revenue Related Funds
2014	(\$39,465,916,000)
2015	(\$41,921,523,000)
2016	(\$41,921,523,000)
2017	(\$41,921,523,000)
2018	(\$41,921,523,000)

All Funds, Five-Year Impact:

Fiscal Year	Probable Revenue (Loss) from General Revenue Fund 1	Probable Revenue (Loss) from All Other Non-GR Related Funds	Probable Revenue (Loss) from Local Property Taxes	Probable Revenue (Loss) from Local Sales Taxes and other Non-Property Taxes
2014	(\$39,465,916,000)	(\$5,666,696,000)	\$0	(\$7,209,059,000)
2015	(\$41,921,523,000)	(\$5,419,700,000)	(\$47,427,748,000)	(\$7,499,827,000)
2016	(\$41,921,523,000)	(\$5,419,700,000)	(\$49,671,789,000)	(\$7,793,507,000)
2017	(\$41,921,523,000)	(\$5,419,700,000)	(\$52,145,657,000)	(\$8,098,933,000)
2018	(\$41,921,523,000)	(\$5,419,700,000)	(\$54,741,588,000)	(\$8,416,577,000)

Fiscal Analysis

The bill would make substantial modification to the state and local tax system. The bill would be entitled the "Texas Tax Reform Act of 2013".

Article 1 of the bill would repeal the state sales and use tax, the motor vehicle sales and rental taxes, the cigarette tax, the cigar and tobacco product tax, the hotel occupancy tax, the manufactured housing sales tax, the controlled substances tax, the boat and boat motor sales tax, the fireworks tax, the motor fuels taxes, the franchise tax, the cement production tax, all miscellaneous gross receipts taxes, the mixed beverage tax, all business permit taxes, the natural gas production tax, the oil production tax, the sulphur production tax, and the inheritance tax effective on September 1, 2013.

Article 2 - 4 of the bill would impose a state Value Added Tax at the rate of 7 percent and allow local taxing entities to impose a local option municipal Value Added Tax of up 3 percent.

Article 5 of the bill would bar the state and most political subdivisions of the state from levying property taxes.

Article 6 of the bill would make various amendments to the Education Code regarding the school finance system.

Methodology

The above tables represent the revenue loss associated with repealing the state taxes specified in the bill. The imposition of a state Value Added Taxes would offset some of these losses; however the amount of revenue collections from the state VAT cannot be determined at this time.

Technology

There would be substantial technology costs associated with reprogramming the Comptroller of Public Accounts and Texas Education Agencies IT systems to implement the provisions of the bill.

Local Government Impact

The above tables represent the revenue loss associated with repealing local jurisdiction taxes specified in the bill. The imposition of a local option municipal Value Added Taxes would offset some of these losses; however the amount of revenue collections from the local VAT cannot be determined at this time.

Source Agencies: 304 Comptroller of Public Accounts

LBB Staff: UP, KK, SD