LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 83RD LEGISLATIVE REGULAR SESSION

April 21, 2013

TO: Honorable Tommy Williams, Chair, Senate Committee on Finance

FROM: Ursula Parks, Director, Legislative Budget Board

IN RE: **SB1151** by Hinojosa (relating to sales and use tax treatment of certain snack items.), **Committee Report 1st House, Substituted**

> **No significant fiscal implication to the State is anticipated.**

The bill would amend Section 151.314, Tax Code, relating to sales and use taxation of certain snack items.

The bill would provide that the exemption of food products for human consumption does not apply to snack items sold through a vending machine or in individual-sized portions. An individual-sized portion would be one that is labeled as having not more than one serving, or that contains less than 2.5 ounces if the number of servings is not specified on the package.

"Snack items" would include breakfast bars, granola bars, nutrition bars, sports bars, protein bars, or yogurt bars, unless marketed as candy; snack or trail mix; nuts, unless candy-coated; popcorn; and chips, crackers, or hard pretzels.

Currently, sales of food products ready for immediate consumption are excluded from the exemption of food products and are subject to tax. However, the standard of readiness for immediate consumption can be circumstantial, and taxability of snack items at convenience stores depends in part on whether or not a store has any seating facilities. To simplify tax compliance and eliminate this source of variability in taxability, convenience stores typically collect and remit sales tax on snack items irrespective of whether tax is necessarily due under current law. Thus this bill would codify prevailing industry practice and would not result in significant additional sales tax revenues.

The bill would take effect September 1, 2013.

Local Government Impact

No significant fiscal implication to units of local government is anticipated.

Source Agencies: 304 Comptroller of Public Accounts
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