

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 84TH LEGISLATIVE REGULAR SESSION

April 6, 2015

TO: Honorable Dennis Bonnen, Chair, House Committee on Ways & Means

FROM: Ursula Parks, Director, Legislative Budget Board

IN RE: HB35 by Murphy (Relating to the amount of the discount allowed for prepayment of sales and use taxes.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for HB35, As Introduced: a positive impact of \$21,900,000 through the biennium ending August 31, 2017.

General Revenue-Related Funds, Five-Year Impact:

Fiscal Year	Probable Net Positive/(Negative) Impact to General Revenue Related Funds
2016	(\$38,700,000)
2017	\$60,600,000
2018	\$64,600,000
2019	\$68,700,000
2020	\$73,100,000

All Funds, Five-Year Impact:

Fiscal Year	Probable Revenue Gain from General Revenue Fund 1	Probable Revenue Gain from Cities	Probable Revenue Gain from Transit Authorities	Probable Revenue Gain from Counties and Special Districts
2016	(\$38,700,000)	(\$7,100,000)	(\$2,400,000)	(\$1,300,000)
2017	\$60,600,000	\$11,200,000	\$3,800,000	\$2,100,000
2018	\$64,600,000	\$11,900,000	\$4,100,000	\$2,200,000
2019	\$68,700,000	\$12,700,000	\$4,300,000	\$2,300,000
2020	\$73,100,000	\$13,500,000	\$4,600,000	\$2,500,000

Fiscal Analysis

The bill would amend Section 151.424 of the Tax Code, relating to the discount for prepayment of sales and use taxes.

The amount of discount that a prepayer would be permitted to deduct and withhold would be the lesser of 1) 1.25 percent of the amount of the prepayment, or 2) an annually adjusted percentage that yields an annualized rate of return equal to the prime rate plus four percent. The latter

percentage would be determined by the Comptroller for each year for prepayments made on or after January 15 and before January 15 of the subsequent year, based on the prime rate on the first business day of each calendar year.

This bill would take effect October 1, 2015.

Methodology

Current law provides only for a prepayment discount of 1.25 percent, which equates to an annual rate of return of 13.27 percent. The savings to the state was calculated based on the difference between that rate and 7.25 percent, the current prime rate plus four percent, applied to the portion of sales tax revenues that is prepaid. An offsetting adjustment was made to cash flow, on the assumption that 10 percent of amounts currently prepaid would be paid instead on a regular basis in response to the lower prepayment discount. Implications for units of local government were estimated proportionally.

Local Government Impact

There would be a proportional gain of sales and use tax revenue in local taxing jurisdictions.

Source Agencies: 304 Comptroller of Public Accounts

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