

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: HB351 by Giddings (Relating to the exemption from the sales tax for certain school art supplies during limited periods.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for HB351, As Introduced: a negative impact of (\$1,240,000) through the biennium ending August 31, 2017, if the bill takes immediate effect; or a negative impact of (\$680,000) through the biennium ending August 31, 2017, if the effective date of the bill is September 1, 2015.

All Funds, Six-Year Impact:

Fiscal Year	Probable Revenue (Loss) from <i>General Revenue Fund</i> 1	Probable Revenue (Loss) from <i>Cities</i>	Probable Revenue (Loss) from <i>Transit Authorities</i>	Probable Revenue (Loss) from <i>Counties and Special Districts</i>
2015	(\$80,000)	\$0	\$0	\$0
2016	(\$560,000)	(\$100,000)	(\$40,000)	(\$20,000)
2017	(\$600,000)	(\$110,000)	(\$40,000)	(\$20,000)
2018	(\$640,000)	(\$110,000)	(\$40,000)	(\$20,000)
2019	(\$680,000)	(\$110,000)	(\$40,000)	(\$20,000)
2020	(\$720,000)	(\$110,000)	(\$40,000)	(\$20,000)

The above table assumes the bill takes immediate effect. The table below assumes the bill takes effect on September 1, 2015.

Fiscal Year	Probable Revenue (Loss) from <i>General Revenue Fund</i> 1	Probable Revenue (Loss) from <i>Cities</i>	Probable Revenue (Loss) from <i>Transit Authorities</i>	Probable Revenue (Loss) from <i>Counties and Special Districts</i>
2016	(\$80,000)	\$0	\$0	\$0
2017	(\$600,000)	(\$110,000)	(\$40,000)	(\$20,000)
2018	(\$640,000)	(\$110,000)	(\$40,000)	(\$20,000)
2019	(\$680,000)	(\$110,000)	(\$40,000)	(\$20,000)
2020	(\$720,000)	(\$110,000)	(\$40,000)	(\$20,000)

Fiscal Analysis

The bill would amend Chapter 151 of the Tax Code, regarding sales and use taxes, to add certain school art supplies to the definition of school supplies eligible for exemption during a limited period.

The bill would amend Section 151.327(a)(2) to add a paintbrush used for artwork; watercolor; and acrylic, tempera, and oil paints to the items eligible for exemption.

This bill would take effect immediately upon enactment, assuming that it received the requisite two-thirds majority votes in both houses of the Legislature. Otherwise, it would take effect September 1, 2015.

Methodology

U.S. Census Bureau data on annual sales of art supplies and Comptroller data on annual sales of retailers that sell art supplies were used to develop an estimate of school art supply purchases that would occur within the annual August tax holiday, to which the state sales tax rate was applied to estimate the revenue impact. Effects on units of local government were estimated proportionally.

If the bill were to take immediate effect, the additional items would be eligible for exemption during the August 2015 tax holiday. This would principally impact fiscal 2016 revenues, but there would be some effect in fiscal 2015 due to estimated prepayments of tax. If the bill were to take effect September 1, 2015 the first affected tax holiday would be that of August 2016.

Local Government Impact

There would be a proportional loss of sales and tax revenue from local taxing jurisdictions.

Source Agencies: 304 Comptroller of Public Accounts

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