

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

**FISCAL NOTE, 84TH LEGISLATIVE REGULAR SESSION**

**March 23, 2015**

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

**FROM:** Ursula Parks, Director, Legislative Budget Board

**IN RE:** **HB633** by Bonnen, Greg (Relating to a sales and use tax exemption for certain health care supplies.), **As Introduced**

**Estimated Two-year Net Impact to General Revenue Related Funds for HB633, As Introduced:** a negative impact of (\$125,200,000) 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	(\$61,400,000)
2017	(\$63,800,000)
2018	(\$66,300,000)
2019	(\$69,000,000)
2020	(\$71,700,000)

**All Funds, Five-Year Impact:**

Fiscal Year	Probable Revenue (Loss) from <i>General Revenue Fund 1</i>	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	(\$61,400,000)	(\$11,300,000)	(\$3,900,000)	(\$2,100,000)
2017	(\$63,800,000)	(\$11,800,000)	(\$4,000,000)	(\$2,200,000)
2018	(\$66,300,000)	(\$12,200,000)	(\$4,200,000)	(\$2,300,000)
2019	(\$69,000,000)	(\$12,700,000)	(\$4,400,000)	(\$2,300,000)
2020	(\$71,700,000)	(\$13,200,000)	(\$4,500,000)	(\$2,400,000)

**Fiscal Analysis**

The bill would amend Section 151.313 of the Tax Code, to provide for the exemption of certain health care supplies from the sales and use tax.

Sections 151.313(a), (c), and (e) would be amended to expand the exemption of certain health care medicines, devices, appliances, parts, equipment, supplies, and systems used for treatment of a human to include such items when used in the treatment of an animal. With respect to treatment of

animals, current law exempts only drugs or medicines when prescribed or dispensed by a licensed practitioner of the healing arts.

The bill would take effect September 1, 2015.

### **Methodology**

National expenditure data on pet supplies and over the counter medicine from the American Pet Products Association was apportioned to the state based on population, reduced to omit expenditures for pet supplies that are not health related, then multiplied by the sales tax rate to estimate the applicable sales tax. The sales tax on veterinary supplies and equipment was estimated using Comptroller and census data. Fiscal implications for units of local government were estimated proportionally.

### **Local Government Impact**

There would be a corresponding loss of local sales and use tax revenue from local taxing jurisdictions. The losses are displayed in the above table.

**Source Agencies:** 304 Comptroller of Public Accounts

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