

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: HB2527 by Guillen (Relating to the application of the sales and use tax to the lease or rental to a caterer of certain tangible personal property.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for HB2527, As Introduced: a negative impact of (\$8,000,000) through the biennium ending August 31, 2017, if the bill takes immediate effect; or a negative impact of (\$7,100,000) 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	(\$600,000)	(\$100,000)	\$0	\$0
2016	(\$3,600,000)	(\$700,000)	(\$200,000)	(\$100,000)
2017	(\$3,800,000)	(\$700,000)	(\$200,000)	(\$100,000)
2018	(\$4,000,000)	(\$700,000)	(\$300,000)	(\$100,000)
2019	(\$4,200,000)	(\$800,000)	(\$300,000)	(\$100,000)
2020	(\$4,400,000)	(\$800,000)	(\$300,000)	(\$100,000)

The table above assumes the bill takes immediate effect. The table below assumes an effective date of September 1, 2015

Fiscal Year	Probable Revenue Gain/(Loss) from <i>General Revenue Fund</i> 1	Probable Revenue Gain/(Loss) from <i>Cities</i>	Probable Revenue Gain/(Loss) from <i>Transit Authorities</i>	Probable Revenue Gain/(Loss) from <i>Counties and Special Districts</i>
2016	(\$3,300,000)	(\$600,000)	(\$200,000)	(\$100,000)
2017	(\$3,800,000)	(\$700,000)	(\$200,000)	(\$100,000)
2018	(\$4,000,000)	(\$700,000)	(\$300,000)	(\$100,000)
2019	(\$4,200,000)	(\$800,000)	(\$300,000)	(\$100,000)
2020	(\$4,400,000)	(\$800,000)	(\$300,000)	(\$100,000)

Fiscal Analysis

The bill would amend Section 151.006 of the Tax Code to provide that, for purposes of sales and use tax, a sale for resale includes the lease or rental of reusable tangible personal property to a caterer if the caterer uses the property in a sale of a taxable item. A sale for resale is exempt from tax.

The 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

National data on annual revenue of the catering industry from the U.S. Census Bureau was apportioned to the state based on the number of catering establishments, reduced to reflect off-premise catering activity and revenues estimated to be dedicated for the lease or rental of tangible personal property used in the sale of taxable prepared foods and drinking products. The result was multiplied by the sales tax rate to yield an estimate of applicable sales tax. Fiscal implications for units of local government were estimated proportionally.

Local Government Impact

There would be a proportional loss of sales and use tax revenue from local taxing jurisdictions as shown in the above tables.

Source Agencies: 304 Comptroller of Public Accounts

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