

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: HB2694 by Button (Relating to an exemption from the sales tax for certain items sold by small businesses in this state during a limited period.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for HB2694, As Introduced: a negative impact of (\$56,600,000) 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	(\$27,600,000)
2017	(\$29,000,000)
2018	(\$30,400,000)
2019	(\$31,900,000)
2020	(\$33,500,000)

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	(\$27,600,000)	(\$5,100,000)	(\$1,700,000)	(\$900,000)
2017	(\$29,000,000)	(\$5,300,000)	(\$1,800,000)	(\$1,000,000)
2018	(\$30,400,000)	(\$5,600,000)	(\$1,900,000)	(\$1,000,000)
2019	(\$31,900,000)	(\$5,900,000)	(\$2,000,000)	(\$1,100,000)
2020	(\$33,500,000)	(\$6,200,000)	(\$2,100,000)	(\$1,100,000)

Fiscal Analysis

The bill would amend Chapter 151 of the Tax Code, to provide for an exemption from sales tax of certain items sold by small businesses during a limited period.

New Section 151.363 would provide that the sale of tangible personal property by a retailer that is a small business is exempt from tax if the sales price of the article is not more than \$5,000 and the sale occurs on the first Saturday after Thanksgiving.

A retailer would be considered a small business in a year if each place of business of the retailer is in this state and the retailer collected during the 12-month period ending September 30 of that year a total of not more than \$312,500 in state sales tax from all of the retailer's places of business in the state (corresponding to \$5 million in annual taxable sales).

This bill would take effect September 1, 2015.

Methodology

Data were gathered from Comptroller tax files regarding the amount of annual sales taxes remitted by small businesses that may be subject to the provisions of the bill. An adjustment was made by major industry type to estimate the share of sales taxes on tangible personal property that might take place during the tax exempt time period, and extrapolated through fiscal 2020. The fiscal impacts on 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.

Source Agencies: 304 Comptroller of Public Accounts

LBB Staff: UP, KK