

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: HB2844 by Raney (Relating to the application of the sales and use tax to the lease or rental to a full service event business of certain tangible personal property.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for HB2844, As Introduced: a negative impact of (\$8,600,000) through the biennium ending August 31, 2017, if the bill takes effect immediate effect; or a negative impact of (\$7,700,000) 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 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> |
|-------------|--|--|---|--|
| 2015 | (\$600,000) | (\$100,000) | \$0 | \$0 |
| 2016 | (\$3,900,000) | (\$700,000) | (\$200,000) | (\$100,000) |
| 2017 | (\$4,100,000) | (\$800,000) | (\$300,000) | (\$100,000) |
| 2018 | (\$4,300,000) | (\$800,000) | (\$300,000) | (\$100,000) |
| 2019 | (\$4,500,000) | (\$800,000) | (\$300,000) | (\$200,000) |
| 2020 | (\$4,700,000) | (\$900,000) | (\$300,000) | (\$200,000) |

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 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 | (\$3,600,000) | (\$700,000) | (\$200,000) | (\$100,000) |
| 2017 | (\$4,100,000) | (\$800,000) | (\$300,000) | (\$100,000) |
| 2018 | (\$4,300,000) | (\$800,000) | (\$300,000) | (\$100,000) |
| 2019 | (\$4,500,000) | (\$800,000) | (\$300,000) | (\$200,000) |
| 2020 | (\$4,700,000) | (\$900,000) | (\$300,000) | (\$200,000) |

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 full service event business if that business uses the property in a sale of a taxable item. A sale for resale is exempt from tax.

The bill would define for purposes of this subsection "full service event business" as a person engaged in preparing and serving meals, drinks, or other food products for events held at locations designated by customers who also provides at least one of the following: staff, rentals of tangible personal property, design elements, or floral items.

This bill would take effect immediately upon enactment, assuming 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 with provided staff, rentals of tangible personal property, design elements, or floral items. The result was further reduced to revenue associated with 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 the 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.

Source Agencies: 304 Comptroller of Public Accounts

LBB Staff: UP, KK