

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 84TH LEGISLATIVE REGULAR SESSION

May 8, 2015

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

FROM: Ursula Parks, Director, Legislative Budget Board

IN RE: **HB3174** by Button (relating to the application of the sales and use tax to certain computer program transactions.), **Committee Report 1st House, Substituted**

Estimated Two-year Net Impact to General Revenue Related Funds for HB3174, Committee Report 1st House, Substituted: a negative impact of (\$3,300,000) through the biennium ending August 31, 2017, if the effective date of the bill is June 1, 2015; or a negative impact of (\$2,800,000) 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	(\$300,000)	(\$100,000)	(\$20,000)	(\$10,000)
2016	(\$1,500,000)	(\$280,000)	(\$90,000)	(\$50,000)
2017	(\$1,500,000)	(\$280,000)	(\$90,000)	(\$50,000)
2018	(\$1,500,000)	(\$280,000)	(\$90,000)	(\$50,000)
2019	(\$1,500,000)	(\$280,000)	(\$90,000)	(\$50,000)
2020	(\$1,500,000)	(\$280,000)	(\$90,000)	(\$50,000)

The above table assumes the bill takes effect June 1st, 2015. The table below assumes the bill takes effect September 1st, 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	(\$1,300,000)	(\$240,000)	(\$80,000)	(\$40,000)
2017	(\$1,500,000)	(\$280,000)	(\$90,000)	(\$50,000)
2018	(\$1,500,000)	(\$280,000)	(\$90,000)	(\$50,000)
2019	(\$1,500,000)	(\$280,000)	(\$90,000)	(\$50,000)
2020	(\$1,500,000)	(\$280,000)	(\$90,000)	(\$50,000)

Fiscal Analysis

The bill would amend Chapter 151 of the Tax Code, regarding sales and use taxation of certain computer program transactions.

The bill would add a Subsection (d) to Section 151.006 to provide that a sale for resale includes a sale of a computer program to a provider of Internet hosting services who sells a license to use the program to an unrelated user of Internet hosting services, provided that the reseller does not retain a right to use the program under that license. 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

The estimate is based on Comptroller audit experience with respect to sales of software by providers of Internet hosting service.

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, SD