

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 84TH LEGISLATIVE REGULAR SESSION

April 20, 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.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for HB3174, As Introduced: a negative impact of (\$103,700,000) through the biennium ending August 31, 2017, if the effective date of the bill is June 1, 2015; or a negative impact of (\$92,900,000) 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	(\$8,900,000)	(\$1,600,000)	(\$600,000)	(\$300,000)
2016	(\$45,700,000)	(\$8,400,000)	(\$2,900,000)	(\$1,500,000)
2017	(\$49,100,000)	(\$9,100,000)	(\$3,100,000)	(\$1,700,000)
2018	(\$52,800,000)	(\$9,700,000)	(\$3,300,000)	(\$1,800,000)
2019	(\$56,800,000)	(\$10,500,000)	(\$3,600,000)	(\$1,900,000)
2020	(\$61,000,000)	(\$11,200,000)	(\$3,900,000)	(\$2,100,000)

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	(\$43,800,000)	(\$8,100,000)	(\$2,800,000)	(\$1,500,000)
2017	(\$49,100,000)	(\$9,100,000)	(\$3,100,000)	(\$1,700,000)
2018	(\$52,800,000)	(\$9,700,000)	(\$3,300,000)	(\$1,800,000)
2019	(\$56,800,000)	(\$10,500,000)	(\$3,600,000)	(\$1,900,000)
2020	(\$61,000,000)	(\$11,200,000)	(\$3,900,000)	(\$2,100,000)

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 new 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 the right to use the program to an unrelated user of Internet hosting services. 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

Data from the U.S. Census Bureau on national and state sales of the data processing, hosting, and related services industry and on national expenditures on computer software by that industry were used to estimate software expenditures in the state that likely would be exempted by the bill. The estimate was multiplied by the state sales tax rate and extrapolated through the forecast period. The 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, SD