

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 84TH LEGISLATIVE REGULAR SESSION

April 27, 2015

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

FROM: Ursula Parks, Director, Legislative Budget Board

IN RE: HB3304 by Darby (Relating to an exemption from the sales and use tax for tangible personal property sold to or used by certain state data center services providers.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for HB3304, As Introduced: a negative impact of (\$10,900,000) 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 | (\$5,400,000) |
| 2017 | (\$5,500,000) |
| 2018 | (\$5,600,000) |
| 2019 | (\$5,700,000) |
| 2020 | (\$5,800,000) |

All Funds, Five-Year Impact:

| Fiscal Year | Probable Revenue (Loss) from General Revenue Fund 1 | Probable Revenue (Loss) from Cities | Probable Revenue (Loss) from Transit Authorities | Probable Revenue (Loss) from Counties and Special Districts |
|-------------|---|-------------------------------------|--|---|
| 2016 | (\$5,400,000) | (\$1,000,000) | (\$300,000) | (\$200,000) |
| 2017 | (\$5,500,000) | (\$1,000,000) | (\$300,000) | (\$200,000) |
| 2018 | (\$5,600,000) | (\$1,000,000) | (\$400,000) | (\$200,000) |
| 2019 | (\$5,700,000) | (\$1,100,000) | (\$400,000) | (\$200,000) |
| 2020 | (\$5,800,000) | (\$1,100,000) | (\$400,000) | (\$200,000) |

Fiscal Analysis

The bill would amend Chapter 151 of the Tax Code, to provide for an exemption from the sales tax of certain tangible personal property (TPP) sold to or used by a state data center services (DCS) provider.

New Section 151.3095 would provide that TPP sold to or used by a DCS provider is exempt from

tax if it is used by the DCS provider on behalf of a state agency, and is used by the state agency or the DCS provider for services under the DCS program.

The bill would define the state data center services (DCS) program as the program operated by the Department of Information Resources (DIR) to provide fully managed server, mainframe, and bulk print and mail services. The bill would define a state DCS provider to mean a person with which DIR contracts to provide hardware, software, tools, or technical staff to state agencies or for state agency use under the DCS program.

The bill would take effect September 1, 2015.

Methodology

DIR anticipates that Xerox State and Local Services, formerly known as ACS, would be the primary DCS provider affected by the provisions of this bill. DIR has a multi-year contract with Xerox for the provision of infrastructure services in the areas of mainframes, servers, networks, and data center operations.

The estimated sales tax on tangible personal property is based on DIR's estimated annual spending on TPP for Xerox State and Local Services, and an assumed percentage of total contract costs that would be for other TPP purchased by DCS providers including office furniture and supplies, electricity, raised floor systems, telecommunications systems, and other systems necessary for the provision of state data center services.

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