

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 84TH LEGISLATIVE REGULAR SESSION

May 4, 2015

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

FROM: Ursula Parks, Director, Legislative Budget Board

IN RE: HB3484 by Bonnen, Dennis (Relating to state and local sales and use taxes.), As Introduced

Estimated Two-year Net Impact to General Revenue Related Funds for HB3484, As Introduced: a negative impact of (\$89,900,000) 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	(\$39,490,000)
2017	(\$50,410,000)
2018	(\$53,680,000)
2019	(\$57,110,000)
2020	(\$60,780,000)

All Funds, Five-Year Impact:

Fiscal Year	Probable Revenue (Loss) from <i>General Revenue Fund</i> 1	Probable Revenue (Loss) from <i>State Highway Fund</i> 6	Probable Revenue (Loss) from <i>Cities</i>	Probable Revenue (Loss) from <i>Transit Authorities</i>
2016	(\$39,490,000)	(\$60,000)	(\$1,400,000)	(\$1,000,000)
2017	(\$50,410,000)	(\$70,000)	(\$1,400,000)	(\$1,000,000)
2018	(\$53,680,000)	(\$70,000)	(\$1,400,000)	(\$1,000,000)
2019	(\$57,110,000)	(\$70,000)	(\$1,400,000)	(\$1,000,000)
2020	(\$60,780,000)	(\$70,000)	(\$1,400,000)	(\$1,000,000)

Fiscal Analysis

The bill would amend Chapter 151, Tax Code, regarding the limited sales and use tax.

Section 151.0037 would be added to define the word "incidental".

Section 151.0101(a) would be amended to include ticket scalping within the definition of taxable services.

Section 151.051(b) would be amended to change the rate of tax from 6.25 percent to 6.24 percent.

A Subsection (c) would be added to Section 151.202 to provide that an application for a sales tax permit that is filed electronically complies with the signature requirement for the permit application.

Section 151.359(j) would be repealed. The effect of the repeal would be to exempt certain purchases by qualified data centers from local sales tax.

The bill would take effect September 1, 2015.

Methodology

Admissions to concerts, sporting events, and other entertainment events are taxable amusement services. A ticket scalper that does not have a sales tax permit pays sales tax when purchasing tickets from the original seller, and ticket scalpers that do have sales tax permits cannot be identified as such in Comptroller tax files. It is unclear what it would mean to describe ticket scalping as a taxable service and the fiscal implications cannot be determined.

The forecasts of revenues for the limited sales and use tax in the 2016-17 Biennial Revenue Estimate were adjusted for the change in the rate of tax, extrapolated through 2020, and adjusted for the effective date.

Local Government Impact

There are currently three qualified data centers under Section 151.359 located in Bexar and Dallas Counties, most of whose purchases of tangible personal property are exempt from state sales tax but subject to local sales taxes. The repeal of Section 151.359(j) would result in reduced sales tax revenues for municipalities and transit authorities. The estimates are based on average annual expenditures for tangible personal property for data centers that meet the minimum capital investment requirement for certification as qualified data centers times the applicable local tax rates.

Source Agencies: 304 Comptroller of Public Accounts

LBB Staff: UP, KK, SD