

**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: HB3719** by King, Tracy O. (Relating to an exemption from the sales tax for certain water-conserving products for a limited period.), **As Introduced**

**Estimated Two-year Net Impact to General Revenue Related Funds** for HB3719, As Introduced: a negative impact of (\$4,300,000) 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	(\$2,000,000)
2017	(\$2,300,000)
2018	(\$2,400,000)
2019	(\$2,500,000)
2020	(\$2,600,000)

**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	(\$2,000,000)	(\$400,000)	(\$100,000)	(\$100,000)
2017	(\$2,300,000)	(\$400,000)	(\$100,000)	(\$100,000)
2018	(\$2,400,000)	(\$400,000)	(\$200,000)	(\$100,000)
2019	(\$2,500,000)	(\$500,000)	(\$200,000)	(\$100,000)
2020	(\$2,600,000)	(\$500,000)	(\$200,000)	(\$100,000)

**Fiscal Analysis**

The bill would amend Chapter 151 of the Tax Code, to provide for an exemption from sales and use tax of certain water-conserving products for a limited period.

New Section 151.3336 would exempt a water-conserving product from sales tax if the sale takes place during a period beginning March 1 and ending March 8.

"Water-conserving product" would be defined as tangible personal property used outdoors on private residential property and not in a business or trade that may result in water conservation or groundwater retention, water table recharge, or a decrease in evaporation. The term would include drought-tolerant live plants, a soaker or drip irrigation hose, a moisture control for sprinkler or irrigation systems, mulch and soil, a rain barrel or alternative moisture control system, a permeable ground cover surface, seeds coated with a water-saving surfactant, and a water saving surfactant.

The Comptroller would be required to include in the exemption study required by Section 403.014, Government Code, an analysis of the effect of the exemption on water conservation efforts.

This bill would take effect September 1, 2015

### **Methodology**

National data on annual household expenditures on lawns and gardens from the National Gardening Association were apportioned to the state based on population, reduced to reflect expenditures on water-conserving items and for sales that would occur during the tax exempt period. 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