

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 84TH LEGISLATIVE REGULAR SESSION

March 2, 2015

TO: Honorable Jane Nelson, Chair, Senate Committee on Finance

FROM: Ursula Parks, Director, Legislative Budget Board

IN RE: SB755 by Taylor, Van (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 SB755, As Introduced: a negative impact of (\$92,900,000) through the biennium ending August 31, 2017, if the effective date of the bill is June 1, 2015; or a negative impact of (\$103,700,000) through the biennium ending August 31, 2017, if the effective date of the bill is September 1, 2015.

All Funds, Five-Year Impact:

Fiscal Year	Probable Revenue (Loss) from <i>General Revenue Fund</i> 1	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)

The table above assumes an effective date of September 1, 2015. The table below assumes an effective date of June 1, 2015.

Fiscal Year	Probable Revenue Gain/(Loss) from <i>General Revenue Fund</i> 1	Probable Revenue Gain/(Loss) from <i>Cities</i>	Probable Revenue Gain/(Loss) from <i>Transit Authorities</i>	Probable Revenue Gain/(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)

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 corresponding loss of sales and use tax revenue to local taxing jurisdictions displayed in the above tables.

Source Agencies: 304 Comptroller of Public Accounts

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