

LEGISLATIVE BUDGET BOARD  
Austin, Texas

FISCAL NOTE, 84TH LEGISLATIVE REGULAR SESSION

April 29, 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.), Committee Report 1st House, Substituted

**Estimated Two-year Net Impact to General Revenue Related Funds** for SB755, Committee Report 1st House, Substituted: a negative impact of (\$2,800,000) through the biennium ending August 31, 2017, if the effective date of the bill is September 1, 2015; or a negative impact of (\$3,300,000) through the biennium ending August 31, 2017, if the effective date of the bill is June 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	(\$1,300,000)	(\$240,000)	(\$80,000)	(\$40,000)
2017	(\$1,500,000)	(\$280,000)	(\$90,000)	(\$50,000)
2018	(\$1,500,000)	(\$280,000)	(\$90,000)	(\$50,000)
2019	(\$1,500,000)	(\$280,000)	(\$90,000)	(\$50,000)
2020	(\$1,500,000)	(\$280,000)	(\$90,000)	(\$50,000)

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	(\$300,000)	(\$100,000)	(\$20,000)	(\$10,000)
2016	(\$1,500,000)	(\$280,000)	(\$90,000)	(\$50,000)
2017	(\$1,500,000)	(\$280,000)	(\$90,000)	(\$50,000)
2018	(\$1,500,000)	(\$280,000)	(\$90,000)	(\$50,000)
2019	(\$1,500,000)	(\$280,000)	(\$90,000)	(\$50,000)
2020	(\$1,500,000)	(\$280,000)	(\$90,000)	(\$50,000)

**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 a license to use the program to an unrelated user of Internet hosting services, provided that the reseller does not retain a right to use the program under that license. 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**

The estimate is based on Comptroller audit experience with respect to sales of software by providers of Internet hosting service.

**Local Government Impact**

There would be a corresponding loss of sales and use tax revenue from local taxing jurisdictions displayed in the above tables.

**Source Agencies:** 304 Comptroller of Public Accounts

**LBB Staff:** UP, KK, SD