

**LEGISLATIVE BUDGET BOARD**  
**Austin, Texas**

**FISCAL NOTE, 84TH LEGISLATIVE REGULAR SESSION**

**April 6, 2015**

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

**FROM:** Ursula Parks, Director, Legislative Budget Board

**IN RE:** SB1527 by Taylor, Larry (Relating to the duty of the comptroller to report sales and use tax information to certain taxing entities.), **As Introduced**

**Estimated Two-year Net Impact to General Revenue Related Funds** for SB1527, As Introduced: a negative impact of (\$16,610,000) through the biennium ending August 31, 2017.

The bill would make no appropriation but could provide the legal basis for an appropriation of funds to implement the provisions of the bill.

**General Revenue-Related Funds, Five-Year Impact:**

<b>Fiscal Year</b>	<b>Probable Net Positive/(Negative) Impact to General Revenue Related Funds</b>
2016	(\$8,305,000)
2017	(\$8,305,000)
2018	(\$8,305,000)
2019	(\$8,305,000)
2020	(\$8,305,000)

**All Funds, Five-Year Impact:**

<b>Fiscal Year</b>	<b>Probable (Cost) from General Revenue Fund</b> <b>1</b>	<b>Change in Number of State Employees from FY 2015</b>
2016	(\$8,305,000)	98.0
2017	(\$8,305,000)	98.0
2018	(\$8,305,000)	98.0
2019	(\$8,305,000)	98.0
2020	(\$8,305,000)	98.0

**Fiscal Analysis**

The bill would amend Section 321.302 of the Tax Code, regarding municipal sales and use taxes.

The bill would direct the Comptroller to include in reports to a municipality information on amounts of tax received as well as amounts due from certain taxpayers, on the proportional

allocation to a municipality of a partial tax payment, and to respond to a report by a municipality that a person has wholly or partly collected or reported taxes incorrectly within 120 days.

The response to the municipality, if in relation to delinquent tax, would include: a description of the Comptroller's collection actions with respect to any tax due and the date and periods covered by the most recent audit of the person by the Comptroller or a statement that the Comptroller has not audited the person; a certification that the person is obligated to pay municipal tax, the periods for which the person is obligated, and a statement as to whether the tax due has been credited to the municipality's account; or a statement authorizing a person employed or designated by the municipality to perform the Comptroller's audit functions.

The bill would further provide for a municipality to disagree with a Comptroller's determination, petition for redetermination, be deemed a party with a direct interest in the Comptroller's determination, and to preserve the right to receive any tax due to the municipality for the four years preceding the report by a municipality and for each subsequent period.

This bill would take effect September 1, 2015.

### **Methodology**

The administrative cost estimate reflects the funds that would be necessary to establish a new division within the CPA that would process, audit, and litigate refund redeterminations on behalf of local jurisdictions.

The bill authorizes a municipality to request a statement resulting from their review of an enhanced quarterly report of delinquent taxpayers and requires the agency to provide a statement that includes a description of the action the comptroller is taking to collect the delinquent tax, the periods for which the person is obligated, and whether the tax due has been credited to the municipality's account. Requests could number in the thousands for any one given municipality. There are 1152 sales tax cities and 363 Special Purpose Districts that could challenge Comptroller reports and determinations. In addition, up to 100 taxpayers per month have tax reallocated between cities, and cities may be able to challenge the tax reallocations under this bill. The agency would also be responsible for assisting in the audit training of municipalities, receiving redetermination requests for contested audits, and assisting in the hearings process. The agency also would conduct audits or assist in the audits of the municipalities.

### **Local Government Impact**

There could be an indeterminate amount of sales and use tax reallocations between local taxing jurisdictions.

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

**LBB Staff:** UP, KK