

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 84TH LEGISLATIVE REGULAR SESSION

April 20, 2015

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

FROM: Ursula Parks, Director, Legislative Budget Board

IN RE: SB1850 by Nichols (Relating to a sales tax exemption for the rental of equipment used in the construction or improvement of a road or highway for a governmental entity.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for SB1850, As Introduced: a negative impact of (\$39,180,000) through the biennium ending August 31, 2017, if the bill takes immediate effect; or a negative impact of (\$34,270,000) through the biennium ending August 31, 2017, if the effective date of the bill is September 1, 2015.

All Funds, Six-Year Impact:

Fiscal Year	Probable Revenue (Loss) from <i>General Revenue Fund 1</i>	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>
2015	(\$3,460,000)	(\$640,000)	(\$220,000)	(\$120,000)
2016	(\$17,430,000)	(\$3,210,000)	(\$1,100,000)	(\$590,000)
2017	(\$18,290,000)	(\$3,370,000)	(\$1,150,000)	(\$620,000)
2018	(\$19,190,000)	(\$3,540,000)	(\$1,210,000)	(\$650,000)
2019	(\$20,140,000)	(\$3,710,000)	(\$1,270,000)	(\$680,000)
2020	(\$21,130,000)	(\$3,890,000)	(\$1,330,000)	(\$720,000)

The above table assumes the bill takes immediate effect. The table below assumes the bill takes effect September 1, 2015.

Fiscal Year	Probable Revenue (Loss) from <i>General Revenue Fund 1</i>	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	(\$15,980,000)	(\$2,950,000)	(\$1,010,000)	(\$540,000)
2017	(\$18,290,000)	(\$3,370,000)	(\$1,150,000)	(\$620,000)
2018	(\$19,190,000)	(\$3,540,000)	(\$1,210,000)	(\$650,000)
2019	(\$20,140,000)	(\$3,710,000)	(\$1,270,000)	(\$680,000)
2020	(\$21,130,000)	(\$3,890,000)	(\$1,330,000)	(\$720,000)

Fiscal Analysis

The bill would amend Section 151.311, Tax Code, to provide an exemption of certain rental equipment from the limited sales and use tax.

New Subsection (e) would be added to provide that the rental of equipment is exempt if it is for use in the performance of a contract for construction or improvement of a road or highway by an organization that is a governmental entity exempt under Section 151.309.

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 estimates are based on Texas Department of Transportation budget data combined with Census data on Texas local governmental transportation budgets, and Census data on expenditures for rental and lease of machinery and equipment by firms primarily engaged in highway, street, and bridge construction.

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, SD