

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

**FISCAL NOTE, 85TH LEGISLATIVE REGULAR SESSION**

**March 15, 2017**

**TO:** Honorable Dennis Bonnen, Chair, House Committee on Ways & Means

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

**IN RE: HB170** by Lucio III (Relating to exempting books purchased, used, or consumed by university and college students from the sales and use tax for limited periods.), **As Introduced**

**Estimated Two-year Net Impact to General Revenue Related Funds** for HB170, As Introduced: a negative impact of (\$55,300,000) through the biennium ending August 31, 2019.

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

Fiscal Year	Probable Revenue (Loss) from <i>General Revenue Fund</i> 1	Probable Revenue (Loss) from <i>State Highway Fund</i> 6	Probable Revenue (Loss) from <i>Cities</i>	Probable Revenue (Loss) from <i>Transit Authorities</i>
2018	\$0	(\$54,700,000)	(\$10,500,000)	(\$3,600,000)
2019	(\$55,300,000)	\$0	(\$10,600,000)	(\$3,700,000)
2020	(\$55,800,000)	\$0	(\$10,700,000)	(\$3,700,000)
2021	(\$56,400,000)	\$0	(\$10,800,000)	(\$3,700,000)
2022	(\$57,000,000)	\$0	(\$10,900,000)	(\$3,800,000)

Fiscal Year	Probable Revenue (Loss) from <i>Counties and Special Districts</i>
2018	(\$1,900,000)
2019	(\$1,900,000)
2020	(\$1,900,000)
2021	(\$2,000,000)
2022	(\$2,000,000)

The above tables assumes an effective date of July 1, 2017. The tables below assumes an effective date of October 1, 2017.

<b>Fiscal Year</b>	<b>Probable Revenue (Loss) from <i>General Revenue Fund</i> 1</b>	<b>Probable Revenue (Loss) from <i>State Highway Fund</i> 6</b>	<b>Probable Revenue (Loss) from <i>Cities</i></b>	<b>Probable Revenue (Loss) from <i>Transit Authorities</i></b>
2018	\$0	(\$27,350,000)	(\$5,200,000)	(\$1,800,000)
2019	(\$55,300,000)	\$0	(\$10,600,000)	(\$3,700,000)
2020	(\$55,800,000)	\$0	(\$10,700,000)	(\$3,700,000)
2021	(\$56,400,000)	\$0	(\$10,800,000)	(\$3,700,000)
2022	(\$57,000,000)	\$0	(\$10,900,000)	(\$3,800,000)

<b>Fiscal Year</b>	<b>Probable Revenue (Loss) from <i>Counties and Special Districts</i></b>
2018	(\$1,000,000)
2019	(\$1,900,000)
2020	(\$1,900,000)
2021	(\$2,000,000)
2022	(\$2,000,000)

### **Fiscal Analysis**

The bill would amend Chapter 151 of the Tax Code by adding Section 151.3211 to provide for the exemption from the sales and use tax of books purchased by a student enrolled at a Texas institution of higher education. The sale would take place within a fifteen-day period each August and January.

A person would establish eligibility for the exemption by presenting a valid student identification card. The Comptroller would by rule prescribe electronic means for establishing eligibility for online purchases.

The bill would take effect July 1, 2017, assuming that it received the requisite two-thirds majority votes in both houses of the Legislature. Otherwise, it would take effect October 1, 2017.

### **Methodology**

The following data were used to estimate college students spending on textbooks: higher education student enrollment and characteristics data from the Texas Higher Education Coordinating Board, and average annual college student expenditures for required course materials from the National Association of College Stores. Estimated book sales were adjusted for the exemption period, multiplied by the sales tax rate, adjusted for potential effective dates for the bill of July 1, 2017, and October 1, 2017, and extrapolated through fiscal 2022.

If the bill were to take effect immediately, student textbooks would be eligible for exemption during the August 2017 tax holiday. In the event the bill fails to take immediate effect, the first exemption period would be in January 2018.

Pursuant to Proposition 7 (2015), any sales tax collections in excess of \$28 billion and less than \$30.5 billion will be deposited into the State Highway Fund. Because total 2018 collections are projected to fall in that range, the 2018 revenue loss is from the State Highway Fund instead of General Revenue.

### **Local Government Impact**

There would be a corresponding loss of sales and use tax revenue to units of local government. The estimated losses are displayed in the above tables.

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

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