

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 85TH LEGISLATIVE REGULAR SESSION

May 1, 2017

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

FROM: Ursula Parks, Director, Legislative Budget Board

IN RE: HB660 by Villalba (Relating to a sales and use tax exemption for Texas state flags.), As Introduced

Estimated Two-year Net Impact to General Revenue Related Funds for HB660, As Introduced: a negative impact of (\$303,000) through the biennium ending August 31, 2019.

General Revenue-Related Funds, Five-Year Impact:

Fiscal Year	Probable Net Positive/(Negative) Impact to General Revenue Related Funds
2018	\$0
2019	(\$303,000)
2020	(\$318,000)
2021	(\$334,000)
2022	(\$351,000)

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		(\$265,000)	(\$51,000)	(\$18,000)
2019	(\$303,000)	\$0	(\$58,000)	(\$20,000)
2020	(\$318,000)	\$0	(\$61,000)	(\$21,000)
2021	(\$334,000)	\$0	(\$64,000)	(\$22,000)
2022	(\$351,000)	\$0	(\$67,000)	(\$23,000)

Fiscal Year	Probable Revenue (Loss) from Counties & Special Districts
2018	(\$9,000)
2019	(\$11,000)
2020	(\$11,000)
2021	(\$12,000)
2022	(\$12,000)

Fiscal Analysis

The bill would amend Chapter 151 of the Tax Code, regarding the limited sales and use tax, by adding new Section 151.3401 to provide for an exemption from sales and use tax of Texas state flags that meet the size, color, and pattern requirements described by Section 3100.001 of the Government Code.

This bill would take effect September 1, 2017.

Methodology

Census data on national dollar value of manufacturers' shipments of fabricated flags, banners, and similar emblems was apportioned to the state based on personal income and increased to reflect wholesale and retail markup. This amount was reduced to a share assumed attributable to state flags, and further reduced to account for nontaxable sales to exempt entities. The result was multiplied by the state sales tax rate and extrapolated through 2022.

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 proportional loss of sales and use tax revenue from units of local government. Those estimates are displayed in the above tables.

Source Agencies: 304 Comptroller of Public Accounts

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