

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

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

**March 7, 2017**

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

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

**IN RE: HB1169** by Button (Relating to an exemption from the sales tax for certain items sold by small businesses in this state during a limited period.), **As Introduced**

**Estimated Two-year Net Impact to General Revenue Related Funds** for HB1169, As Introduced: a negative impact of (\$29,400,000) 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	(\$29,400,000)
2020	(\$30,700,000)
2021	(\$32,100,000)
2022	(\$33,500,000)

**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	\$0	(\$28,100,000)	(\$5,400,000)	(\$1,900,000)
2019	(\$29,400,000)	\$0	(\$5,600,000)	(\$1,900,000)
2020	(\$30,700,000)	\$0	(\$5,900,000)	(\$2,000,000)
2021	(\$32,100,000)	\$0	(\$6,200,000)	(\$2,100,000)
2022	(\$33,500,000)	\$0	(\$6,400,000)	(\$2,200,000)

<b>Fiscal Year</b>	<b>Probable Revenue (Loss) from Counties &amp; Special Districts</b>
2018	(\$1,000,000)
2019	(\$1,000,000)
2020	(\$1,100,000)
2021	(\$1,100,000)
2022	(\$1,200,000)

### **Fiscal Analysis**

The bill would amend Chapter 151 of the Tax Code, to provide for an exemption from sales tax of certain items sold by small businesses during a limited period.

New Section 151.363 would provide that the sale of tangible personal property by a retailer that is a small business is exempt from tax if the sales price of the article is not more than \$5,000 and the sale occurs on the first Saturday after Thanksgiving.

A retailer would be considered a small business in a year if each place of business of the retailer is in this state and the retailer collected during the 12-month period ending September 30 of that year a total of not more than \$312,500 in state sales tax from all of the retailer's places of business in the state (corresponding to \$5 million in annual taxable sales). For a retailer in business less than 12 months, the tax collected could not exceed \$26,042 per month in the period since the retailer first became engaged in business.

The bill would take effect September 1, 2017.

### **Methodology**

The bill would amend Chapter 151 of the Tax Code, to provide for an exemption from sales tax of certain items sold by small businesses during a limited period.

New Section 151.363 would provide that the sale of tangible personal property by a retailer that is a small business is exempt from tax if the sales price of the article is not more than \$5,000 and the sale occurs on the first Saturday after Thanksgiving.

A retailer would be considered a small business in a year if each place of business of the retailer is in this state and the retailer collected during the 12-month period ending September 30 of that year a total of not more than \$312,500 in state sales tax from all of the retailer's places of business in the state (corresponding to \$5 million in annual taxable sales). For a retailer in business less than 12 months, the tax collected could not exceed \$26,042 per month in the period since the retailer first became engaged in business.

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.

The bill would take effect September 1, 2017.

## **Local Government Impact**

There would be a proportional amount of sales tax revenue loss from local taxing jurisdictions. Those revenue losses are displayed in the above tables.

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

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