

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

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

**March 28, 2017**

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

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

**IN RE: HB1325** by Nevárez (Relating to the application of the sales and use tax to certain services involving real property.), **As Introduced**

**Estimated Two-year Net Impact to General Revenue Related Funds** for HB1325, As Introduced: a negative impact of (\$19,950,000) 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	(\$19,950,000)
2020	(\$20,950,000)
2021	(\$21,990,000)
2022	(\$23,090,000)

**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	(\$17,410,000)	(\$3,340,000)	(\$1,150,000)
2019	(\$19,950,000)	\$0	(\$3,820,000)	(\$1,320,000)
2020	(\$20,950,000)	\$0	(\$4,020,000)	(\$1,390,000)
2021	(\$21,990,000)	\$0	(\$4,220,000)	(\$1,460,000)
2022	(\$23,090,000)	\$0	(\$4,420,000)	(\$1,530,000)

<b>Fiscal Year</b>	<b>Probable Revenue (Loss) from Counties and Special Districts</b>
2018	(\$610,000)
2019	(\$690,000)
2020	(\$730,000)
2021	(\$770,000)
2022	(\$800,000)

### **Fiscal Analysis**

The bill would amend Section 151.0048 of the Tax Code, regarding sales and use taxation of real property services.

The bill would exempt real property surveying services from tax by striking the surveying of real property from the list of services included in the definition of real property service in Section 151.0048(a), and make a conforming repeal of Section 151.0048(b-1).

The bill would take effect September 1, 2017.

### **Methodology**

Taxable sales of real property survey services were determined from Comptroller tax reports of firms performing those services, multiplied by the state sales tax rate, and extrapolated through 2022 based on the forecast rate of growth in Texas gross state product.

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 in the scenario where the bill takes immediate effect.

### **Local Government Impact**

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

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

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