

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

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

**April 25, 2017**

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

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

**IN RE: HB1721** by Bonnen, Greg (Relating to an exemption from and a limitation on the sales tax imposed on certain boats and boat motors.), **As Introduced**

**Estimated Two-year Net Impact to General Revenue Related Funds** for HB1721, As Introduced: a negative impact of (\$2,499,000) through the biennium ending August 31, 2019.

**General Revenue-Related Funds, Five-Year Impact:**

| Fiscal Year | Probable Net Positive/(Negative) Impact<br>to General Revenue Related Funds |
|-------------|---|
| 2018        | (\$1,226,000)   |
| 2019        | (\$1,273,000)   |
| 2020        | (\$1,321,000)   |
| 2021        | (\$1,378,000)   |
| 2022        | (\$1,425,000)   |

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

| Fiscal Year | Probable Revenue (Loss) from<br><i>General Revenue Fund</i><br>1 | Probable Revenue (Loss) from<br><i>Game, Fish, Water Safety Account</i><br>9 |
|-------------|--|--|
| 2018        | (\$1,226,000)  | (\$64,000)   |
| 2019        | (\$1,273,000)  | (\$67,000)   |
| 2020        | (\$1,321,000)  | (\$69,000)   |
| 2021        | (\$1,378,000)  | (\$72,000)   |
| 2022        | (\$1,425,000)  | (\$75,000)   |

**Fiscal Analysis**

The bill would amend Chapter 160 of the Tax Code, regarding sales and use taxes on boats and boat motors.

The bill would add new Section 160.0246 to provide that taxable boats and boat motors are exempt from sales tax if, within 10 days of the sale, the boat or boat motor is sold in this state for use in another state or nation and is removed from this state; or the boat or boat motor is sold in this state for use in another state and not later than 10 days after purchase it is docked or placed at

a repair or modification facility that is registered with the Comptroller, is only used to test any repairs or modifications, and is removed from Texas within 20 days after repairs or modifications are completed.

The bill would add new Section 160.026 to limit the amount of tax imposed under Section 160.021 (retail sales tax) on the sale of a taxable boat or boat motor to \$15,625.

This bill would take effect September 1, 2017.

### **Methodology**

As boats sold for removal from the state are not subject to titling and registration in Texas, it is expected that tax is rarely paid on such boats and consequently the fiscal implications of proposed Section 160.0246 would be negligible.

The estimated fiscal implications are for proposed Section 160.026, limiting the tax on boats or motors to \$15,625. The estimates are based on historical data on taxable sales prices and sales tax paid for boats registered with TPWD, extrapolated through 2022 based on the forecast of growth in boat tax revenue adopted for the *2018-19 Biennial Revenue Estimate*.

### **Technology**

The Texas Parks and Wildlife Department indicates there would be a cost to re-program their Boat Titling and Registration System. It is assumed this cost could be absorbed within existing resources.

### **Local Government Impact**

Although the sales tax on boats may be paid to county tax assessor-collectors, most boat tax is paid to the Texas Parks and Wildlife Department (TPWD) when titling and registering boats with the department. Therefore the loss of the counties 5 percent collection allowance on the foregone boat sales tax revenue is not expected to be significant.

**Source Agencies:** 304 Comptroller of Public Accounts, 802 Parks and Wildlife Department

**LBB Staff:** UP, KK