

**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: HB3471** by Davis, Yvonne (Relating to a sales tax refund or severance tax credit for sales tax overpayments by certain oil or gas severance taxpayers.), **As Introduced**

**Estimated Two-year Net Impact to General Revenue Related Funds** for HB3471, As Introduced: a negative impact of (\$1,304,000) 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	(\$907,000)
2019	(\$397,000)
2020	(\$397,000)
2021	(\$397,000)
2022	(\$397,000)

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

Fiscal Year	Probable (Cost) from <i>General Revenue Fund</i> 1	Change in Number of State Employees from FY 2017
2018	(\$907,000)	6.0
2019	(\$397,000)	6.0
2020	(\$397,000)	6.0
2021	(\$397,000)	6.0
2022	(\$397,000)	6.0

**Fiscal Analysis**

The bill would amend Section 151.430, Tax Code, regarding refunds or credits of overpayments of sales tax.

A new Subsection (c-1) would be added to provide that a person owed reimbursement for overpaid sales and use tax and who files producer or first purchaser reports for the natural gas production tax or oil production tax may take a credit for the overpaid sales tax on reports for the natural gas or oil production taxes, or may file a claim for refund.

The bill would take effect September 1, 2017.

### **Methodology**

The bill provides for alternative means for certain taxpayers to obtain reimbursement for overpaid sales tax but does not alter tax liabilities. However, the absence of requirement that a person seeking a refund obtain a written assignment of rights to refund from the vendor who collected and remitted the tax could result in duplicative refunds made in error, once to the purchaser and once to the vendor with respect to the same transaction, which would reduce net revenue collections.

Assuming adequate additional resources to verify refund claims and detect duplicative refund requests are provided, there would be no revenue implications.

There could be minor effects on cash flow if the alternative means for reimbursement resulted in expedited cash settlement of claims, but such effects would be negligible.

The administrative cost includes a one-time technology cost of \$510,000 and the funds necessary to hire six accounts examiner IIIs to handle the anticipated increased workload. Taxpayers would submit a schedule of items purchased, including the cost of each item and the amount of tax paid. Accounts examiners would need to manually verify whether all items qualify for a credit or refund. There are 12,588 active crude oil and natural gas producers and purchasers who may be eligible to file a claim for a refund or credit. Assuming a quarter of those eligible file a claim, with each claim requiring a minimum of four hours to verify, the Comptroller's Office would require six FTEs.

### **Technology**

There would be a one-time technology cost of \$510,000 in fiscal 2018 for an estimated 3,400 hours of reprogramming and changes needed to data and remittance entry systems and editing, web and electronic database interface filing, and paper filings. The database would need to capture, store, and retrieve the credit data and compute balances. Programming changes would also be required to the agency's platform for collections assignments, enforcement, and audit activity, the Comprehensive Audit Tax System, which collects detailed audit documentation, and the Universal Refund System, where refunds and credits are verified before being issued.

### **Local Government Impact**

No fiscal implication to units of local government is anticipated.

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

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