

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

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

**March 21, 2017**

**TO:** Honorable Jane Nelson, Chair, Senate Committee on Finance

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

**IN RE: SB275** by Watson (Relating to the retention and use of sales tax revenue collected by certain retailers to provide job training and placement services to certain persons.), **As Introduced**

**Estimated Two-year Net Impact to General Revenue Related Funds** for SB275, As Introduced: a negative impact of (\$13,400,000) 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	(\$13,400,000)
2020	(\$14,100,000)
2021	(\$14,900,000)
2022	(\$15,700,000)

**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
2018	\$0	(\$12,700,000)
2019	(\$13,400,000)	\$0
2020	(\$14,100,000)	\$0
2021	(\$14,900,000)	\$0
2022	(\$15,700,000)	\$0

**Fiscal Analysis**

The bill would amend Chapter 151 of the Tax Code, to provide for a sales and use tax retention for certain retailers.

New Section 151.433 would be added to authorize a qualifying organization to retain 50 percent of its collected state sales taxes for the purpose of providing job training and placement services to certain persons with disabilities or other barriers to employment. A qualifying organization

would be a retailer certified by the Comptroller as having met the requirements of a workforce training community center.

A workforce training community center would be a retailer listed as an exempt organization in the Internal Revenue Code that collects and remits sales taxes on the sale of donated goods; has a mission of assisting persons with disabilities with job training and placement services and uses a portion of revenue to provide those services; and has annual sales of at least \$1 million.

The bill would require qualifying organizations to use the retained sales tax money only for specific purposes related to providing job training and placement services to persons with disabilities or other barriers to employment. The Comptroller may require qualifying organizations, after their first year of certification and at the conclusion of the three-year certification period, to demonstrate their adherence to the program's requirements.

This bill would take effect September 1, 2017.

### **Methodology**

Data were gathered from Comptroller tax files regarding the amount of sales tax remitted by certain retailers that may be subject to the provisions of the bill. An adjustment was made to estimate the 50 percent sales tax retention, then 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**

No fiscal implication to units of local government is anticipated. The bill specifically states that qualifying organizations shall continue to remit the full amount of sales taxes imposed by units of local governments.

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

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