

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 85TH LEGISLATIVE REGULAR SESSION

March 29, 2017

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

FROM: Ursula Parks, Director, Legislative Budget Board

IN RE: **SB1539** by Watson (relating to the application of the sales and use tax to certain property and services.), **Committee Report 1st House, Substituted**

No significant fiscal implication to the State is anticipated.

This bill would amend Chapter 151 of the Tax Code, regarding the application of the sales and use tax to certain property and services.

Provisions governing the taxation of certain amusement and personal services sold through coin-operated machines would be restructured. Section 151.0028 would be amended to add the purchase of an admission through the use of a coin-operated machine to the definition of amusement services. Sections 151.0028 and 151.0045 would be amended to exclude services provided through coin-operated machines that are operated by the consumer from the definitions of amusement services and personal services. Section 151.335, which exempts amusement and personal services provided through coin-operated machines that are operated by the consumer, would be repealed. Services sold through coin-operated machines that are untaxed under current law would remain untaxed; the basis for the non-taxability would be as an exclusion from the definitions of taxable items, rather than as an exemption.

Section 151.006(a)(1) would be amended to narrow the definition of a sale for resale to tangible personal property or taxable service resold as a taxable item rather than resold with or as a taxable item.

Section 151.006(a)(5) and (c) would be amended to limit the exclusion from the definition of sale for resale of certain items used in the performance of a service not taxed to items used in the performance of a contract with certain governmental and nonprofit organizations exempted from tax under Sections 151.309 and 151.310.

New Subsection 151.006(e) would exclude from the definition of sale for resale the sale of tangible personal property that will be used, consumed, expended in, or incorporated into an oil or natural gas well by a purchaser in the performance of an oil well service taxable under Chapter 191 (the oil well service tax).

Section 151.338 would be amended to clarify that the exemption of certain environment and conservation services is of the amount charged for labor and does not apply to tangible personal property transferred by the service provider to the purchaser as part of the service.

The bill would represent codification of current administrative policy and would have no fiscal

consequences.

This bill would take effect immediately upon enactment, assuming it received the requisite two-thirds majority votes in both houses of the Legislature. Otherwise, it would take effect September 1, 2017.

Local Government Impact

No significant fiscal implication to units of local government is anticipated.

Source Agencies: 304 Comptroller of Public Accounts

LBB Staff: UP, KK, SD