

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

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

**April 1, 2017**

**TO:** Honorable Charles Perry, Chair, Senate Committee on Agriculture, Water & Rural Affairs

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

**IN RE: SJR36** by Perry (Proposing a constitutional amendment prohibiting a tax on the sale or purchase of water at wholesale.), **As Introduced**

**No significant fiscal implication to the State is anticipated**, other than the cost of publication.

The cost to the state for publication of the resolution is \$114,369.

The resolution would propose an amendment to Article VIII of the Texas Constitution, to add new Section 31, to prohibit a tax on the sale or purchase of water at wholesale.

The resolution would add a temporary provision to require that if a law is enacted during the 85th Legislature to impose or authorize a tax prohibited by Section 31, the portion of the law that violates this section would expire on January 1, 2019. This temporary provision would expire on December 1, 2019.

The amendment would have no fiscal implications relating to the Sales and Use Tax as Section 151.315 of the Tax Code exempts water under current law. The proposed language, however, may be ambiguous regarding its applicability to the Franchise Tax. This ambiguity could lead to questions regarding whether wholesale water sales should be included in total revenue of a taxable entity for the purposes of franchise tax calculation and therefore the fiscal implications of the bill are uncertain.

The proposed constitutional amendment would be submitted to the voters at an election to be held November 7, 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, SZ, SD, KK