

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

**FISCAL NOTE, 86TH LEGISLATIVE REGULAR SESSION**

**April 23, 2019**

**TO:** Honorable Dustin Burrows, Chair, House Committee on Ways & Means

**FROM:** John McGeady, Assistant Director    Sarah Keyton, Assistant Director  
Legislative Budget Board

**IN RE: HB631** by Hernandez (Relating to exempting textbooks purchased, used, or consumed by university and college students from the sales and use tax for limited periods.), **As Introduced**

**Estimated Two-year Net Impact to General Revenue Related Funds** for HB631, As Introduced: a negative impact of (\$67,690,000) through the biennium ending August 31, 2021, if the effective date of the bill is July 1, 2019; or a negative impact of (\$50,595,000) through the biennium ending August 31, 2021, if the effective date of the bill is October 1, 2019.

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

<b>Fiscal Year</b>	<b>Probable Revenue (Loss) from <i>General Revenue Fund 1</i></b>	<b>Probable Revenue (Loss) from <i>Cities</i></b>	<b>Probable Revenue (Loss) from <i>Transit Authorities</i></b>	<b>Probable Revenue (Loss) from <i>Counties and Special Districts</i></b>
2020	(\$34,190,000)	(\$6,340,000)	(\$2,170,000)	(\$1,280,000)
2021	(\$33,500,000)	(\$6,210,000)	(\$2,130,000)	(\$1,250,000)
2022	(\$32,830,000)	(\$6,080,000)	(\$2,090,000)	(\$1,230,000)
2023	(\$32,180,000)	(\$5,960,000)	(\$2,050,000)	(\$1,210,000)
2024	(\$31,530,000)	(\$5,840,000)	(\$2,010,000)	(\$1,180,000)

The table above assumes a July 1, 2019 effective date and assumes one holiday in August 2019 and one holiday in January 2020, with collections impacting fiscal 2020. The table below assumes an October 1, 2019 effective date with only one holiday in January 2020, which will impact fiscal 2020.

<b>Fiscal Year</b>	<b>Probable Revenue (Loss) from <i>General Revenue Fund</i> 1</b>	<b>Probable Revenue (Loss) from <i>Cities</i></b>	<b>Probable Revenue (Loss) from <i>Transit Authorities</i></b>	<b>Probable Revenue (Loss) from <i>Counties and Special Districts</i></b>
2020	(\$17,095,000)	(\$3,170,000)	(\$1,090,000)	(\$640,000)
2021	(\$33,500,000)	(\$6,210,000)	(\$2,130,000)	(\$1,250,000)
2022	(\$32,830,000)	(\$6,080,000)	(\$2,090,000)	(\$1,230,000)
2023	(\$32,180,000)	(\$5,960,000)	(\$2,050,000)	(\$1,210,000)
2024	(\$31,530,000)	(\$5,840,000)	(\$2,010,000)	(\$1,180,000)

## **Fiscal Analysis**

The bill would amend Chapter 151 of the Tax Code by adding Section 151.3211 to provide for the exemption from the sales and use tax of books written, designed, and produced for educational, instructional, or pedagogical purposes, when purchased by a student enrolled at a Texas institution of higher education or a Texas private or independent college or university. The sale would take place within a seven-day period each August and January, as designated by the Comptroller, when the greatest number of books is likely to be purchased.

A person would establish eligibility for the exemption by presenting a valid student identification card. The Comptroller would by rule prescribe electronic means for establishing eligibility for online purchases.

This bill would take effect July 1, 2019, assuming that it received the requisite two-thirds majority votes in both houses of the Legislature. Otherwise, it would take effect October 1, 2019.

## **Methodology**

The following data were used to estimate college students spending on textbooks: higher education student enrollment and characteristics data from the Texas Higher Education Coordinating Board, and average annual college student expenditures for required course materials from the National Association of College Stores. Estimated book sales were adjusted for the exemption period, multiplied by the sales tax rate, adjusted for potential effective dates for the bill of July 1, 2019 and October 1, 2019, and extrapolated through fiscal 2024.

In recent years, per student expenditures on textbooks have been declining as lower cost substitutes such as textbook rentals and downloads of free course materials have become increasingly available, and these estimates assume continuation of that trend.

If the bill were to take effect immediately, student textbooks would be eligible for exemption during the August 2019 tax holiday. In the event the bill fails to take immediate effect, the first exemption period would be in January 2020.

## **Local Government Impact**

There would be a corresponding loss of sales and use tax revenue to units of local government.

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

**LBB Staff:** WP, KK, SD

