

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 86TH LEGISLATIVE REGULAR SESSION

March 18, 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: HB1729 by Murphy (Relating to the amount of the discount allowed for prepayment of sales and use taxes.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for HB1729, As Introduced: a positive impact of \$63,200,000 through the biennium ending August 31, 2021.

General Revenue-Related Funds, Five-Year Impact:

Fiscal Year	Probable Net Positive/(Negative) Impact to General Revenue Related Funds
2020	\$24,800,000
2021	\$38,400,000
2022	\$40,600,000
2023	\$43,000,000
2024	\$45,100,000

All Funds, Five-Year Impact:

Fiscal Year	Probable Revenue Gain from <i>General Revenue Fund 1</i>	Probable Revenue Gain from <i>Cities</i>	Probable Revenue Gain from <i>Transit Authorities</i>	Probable Revenue Gain from <i>Counties & Special Districts</i>
2020	\$24,800,000	\$4,600,000	\$1,600,000	\$900,000
2021	\$38,400,000	\$7,100,000	\$2,400,000	\$1,400,000
2022	\$40,600,000	\$7,500,000	\$2,600,000	\$1,500,000
2023	\$43,000,000	\$8,000,000	\$2,700,000	\$1,600,000
2024	\$45,100,000	\$8,400,000	\$2,900,000	\$1,700,000

Fiscal Analysis

The bill would amend Section 151.424 of the Tax Code, relating to the discount for prepayment of sales and use taxes.

The amount of discount that a prepayer would be permitted to deduct and withhold would be the lesser of 1) 1.25 percent of the amount of the prepayment, or 2) an annually adjusted percentage

that yields an annualized rate of return equal to the prime rate plus four percent. The latter percentage would be determined by the Comptroller for each year for prepayments made on or after January 15 and before January 15 of the subsequent year, based on the prime rate on the first business day of each calendar year.

The bill would take effect October 1, 2019.

Methodology

Current law provides only for a prepayment discount of 1.25 percent, which equates to an annual rate of return of 13.27 percent. The savings to the state was calculated based on the difference between that rate and 9.50 percent, the current prime rate plus four percent, applied to the portion of sales tax revenues that is prepaid. As current prevailing money market rates remain at 2.50 percent and below, it is not anticipated that the reduction in yield on prepayments under the bill would result in significant reduction in prepayments. Estimates for fiscal 2020 were adjusted to reflect the effect of the bill only for prepayments made on or after January 15, 2020.

Local Government Impact

There would be a proportional gain of sales and use tax revenue for units of local government.

Source Agencies: 304 Comptroller of Public Accounts

LBB Staff: WP, KK, SD