

**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: HB2995** by Talarico (Relating to a sales and use tax exemption for educational materials purchased by a teacher.), **As Introduced**

**Estimated Two-year Net Impact to General Revenue Related Funds** for HB2995, As Introduced: a negative impact of (\$80,570,000) 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	(\$39,310,000)
2021	(\$41,260,000)
2022	(\$43,280,000)
2023	(\$45,380,000)
2024	(\$47,550,000)

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

Fiscal Year	Probable Revenue (Loss) from <i>General Revenue Fund 1</i>	Probable Revenue (Loss) from <i>Cities</i>	Probable Revenue (Loss) from <i>Transit Authorities</i>	Probable Revenue (Loss) from <i>Counties and Special Districts</i>
2020	(\$39,310,000)	(\$7,290,000)	(\$2,500,000)	(\$1,470,000)
2021	(\$41,260,000)	(\$7,640,000)	(\$2,620,000)	(\$1,540,000)
2022	(\$43,280,000)	(\$8,020,000)	(\$2,750,000)	(\$1,620,000)
2023	(\$45,380,000)	(\$8,410,000)	(\$2,890,000)	(\$1,700,000)
2024	(\$47,550,000)	(\$8,810,000)	(\$3,020,000)	(\$1,780,000)

**Fiscal Analysis**

The bill would amend Chapter 151 of the Tax Code, to provide an exemption of educational materials purchased by certain teachers from sales and use taxes.

The bill would add Section 151.3272 to exempt from tax educational materials defined as taxable items used primarily at a school for an educational purpose when purchased by a public school

teacher. Educational materials would include school supplies as defined in the Streamlined Sales and Use Tax Agreement including but not limited to binders, calculators, composition books, crayons, folders, glue, index cards, lunch boxes, pencils, and scissors; a book or other similar learning tool, an item of technology, and furniture.

The bill would require the Comptroller, in coordination with the Texas Education Agency, to develop an exemption certificate that both agencies would be required to make available on their websites.

The bill would require teachers to complete, sign, and present the exemption certificate developed by the Comptroller at the time of purchase.

The bill would take effect September 1, 2019.

### **Methodology**

The bill exempts items of technology and furniture purchased by teachers for their classrooms but does not define those items and whether primary usage of such items means one hundred percent or a significantly lesser standard, such as 51 percent. This could possibly lead to the exemption of high ticket technology and furniture items such as tablets, computers, and certain chairs which might be used for the classroom and outside the classroom.

The following data were used to estimate teacher spending on school supplies: number of Texas school teachers from the Texas Education Agency, and average annual school teacher spending on school supplies from the National Center for Education Statistics. Estimated spending was increased to include items technology and furniture purchases, multiplied by the sales tax rate, and extrapolated through fiscal 2024.

### **Local Government Impact**

There would be a proportional loss of sales and use tax revenue from units of local government.

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

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