

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 86TH LEGISLATIVE REGULAR SESSION

April 23, 2019

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

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

IN RE: **SB833** by Powell (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 SB833, As Introduced: a negative impact of (\$78,314,000) through the biennium ending August 31, 2021, if the effective date of the bill is July 1, 2019; or a negative impact of (\$66,930,000) through the biennium ending August 31, 2021, if the effective date of the bill is October 1, 2019.

All Funds, Six-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>
2019	(\$3,864,000)	(\$720,000)	(\$250,000)	(\$140,000)
2020	(\$37,600,000)	(\$6,970,000)	(\$2,390,000)	(\$1,410,000)
2021	(\$36,850,000)	(\$6,830,000)	(\$2,340,000)	(\$1,380,000)
2022	(\$36,120,000)	(\$6,690,000)	(\$2,300,000)	(\$1,350,000)
2023	(\$35,390,000)	(\$6,560,000)	(\$2,250,000)	(\$1,330,000)
2024	(\$34,690,000)	(\$6,430,000)	(\$2,210,000)	(\$1,300,000)

The above table assumes an effective date of July 1, 2019. The table below assumes an effective date of October 1, 2019.

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	(\$30,080,000)	(\$5,580,000)	(\$1,910,000)	(\$1,130,000)
2021	(\$36,850,000)	(\$6,830,000)	(\$2,340,000)	(\$1,380,000)
2022	(\$36,120,000)	(\$6,690,000)	(\$2,300,000)	(\$1,350,000)
2023	(\$35,390,000)	(\$6,560,000)	(\$2,250,000)	(\$1,330,000)
2024	(\$34,690,000)	(\$6,430,000)	(\$2,210,000)	(\$1,300,000)

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 leading up to or during the months in which the terms of higher education institutions, colleges, and universities begin, as designated by the Comptroller, when the greatest number of books is likely to be purchased. A term would be defined as a quarter or a semester based on the term system that institutions of higher education, colleges or universities operate under.

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

By requiring the Comptroller to designate an exemption period before or during the beginning of each term, the bill would require the designation of five exemption periods at a minimum. 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 periods, 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 an exemption during a July 2019 tax holiday. In the event the bill fails to take immediate effect, the first exemption period would be in October 2019.

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