

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 86TH LEGISLATIVE REGULAR SESSION

April 15, 2019

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

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

IN RE: SB1669 by Taylor (Relating to the permitting and taxation of certain boats and boat motors; imposing a fee.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for SB1669, As Introduced: a negative impact of (\$2,316,000) 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	(\$1,127,000)
2021	(\$1,189,000)
2022	(\$1,255,000)
2023	(\$1,322,000)
2024	(\$1,492,000)

All Funds, Five-Year Impact:

Fiscal Year	Probable Revenue (Loss) from <i>General Revenue Fund</i> 1	Probable Revenue (Loss) from <i>Game, Fish, Water Safety Ac</i> 9
2020	(\$1,127,000)	(\$67,000)
2021	(\$1,189,000)	(\$70,000)
2022	(\$1,255,000)	(\$74,000)
2023	(\$1,322,000)	(\$78,000)
2024	(\$1,492,000)	(\$81,000)

Fiscal Analysis

The bill would amend Chapter 31, Parks and Wildlife Code and Chapter 160, Tax Code relating to the permitting and taxation of certain boats and boat motors.

The bill would amend Section 31.003(16) of the Parks and Wildlife Code, regarding water safety and the definition of "distributor", to substitute the term "vessels" for "boats."

The bill would amend Section 160.001(2), Tax Code to define "boat" as a vessel not more than 115 feet in length, measured from the tip of the bow in a straight line to the stern.

The bill would add Section 160.0246 to provide that taxable boats and boat motors are exempt from sales tax if: (1) within 10 days of the sale, the boat or boat motor is sold in this state for use in another state or nation and is removed from this state; (2) the boat or boat motor is sold in this state for use in another state and not later than 10 days after purchase it is docked or placed at a repair or modification facility that is registered with the comptroller, is only used to test any repairs or modifications, and is removed from Texas within 20 days after repairs or modifications are completed; or (3) the boat is sold in this state for use in another state or nation, displays a temporary use permit issued by the comptroller, and is removed from the state not more than 90 days after the date of purchase. The added section would also provide for exemption of certain boats brought into the state for not more than 90 days if a permit is obtained and displayed as provided by added Section 160.0247.

The bill would add Section 160.0247 to provide for issuance by the comptroller of a nonrenewable temporary use permit, valid for 90 days at a fee of \$150, to the owner of a taxable boat that qualifies for temporary exemption. An owner could obtain no more than two permits in a calendar year.

The bill would add Section 160.026 to limit the amount of tax imposed on the sale of a taxable boat or boat motor to \$18,750.

The bill would take effect September 1, 2019.

Methodology

According to the Texas Parks and Wildlife Department (TPWD) 98.43 percent of boat and boat motor sales tax for boats equal to or less than 65 ft. in length was collected by TPWD, with the remaining 1.57 percent collected at the local county offices. Additionally, 100 percent of the transactions involving boats greater than 65 ft. but less than 115 ft. in length were collected by the comptroller with 95 percent remitted for deposit to the General Revenue (GR) Fund and 5 percent deposited to GR Account - Game, Fish, and Water Safety. TPWD provided information on historical taxable sales transactions from which this fiscal impact estimate was calculated. The losses to GR and GR Account - Game, Fish, and Water Safety were extrapolated with Comptroller data.

Transaction details for the 1.57 percent of sales taxes collected by counties (95 percent remitted to the Comptroller for GR; 5 percent retained by the county) are not available.

No information regarding the number of boat owners that might obtain 90 day temporary permits was available from TPWD; for purposes of this estimate issuance of 1,000 such permits annually is assumed.

The change in taxability of boats greater than 65 feet but less than 115 feet in length from Chapter 151 to Chapter 160 would result in an undetermined reduction in sales and use tax revenue to units of local government.

Technology

The Comptroller of Public Accounts and the Texas Parks and Wildlife Department both indicate there would be one time programming costs to implement provisions of the bill.

Local Government Impact

Counties retain 5% of sales tax collected and would experience a small revenue loss from the bill.

Source Agencies: 304 Comptroller of Public Accounts, 802 Parks and Wildlife Department

LBB Staff: WP, KK