

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 88TH LEGISLATIVE REGULAR SESSION

May 6, 2023

TO: Honorable Joan Huffman, Chair, Senate Committee on Finance

FROM: Jerry McGinty, Director, Legislative Budget Board

IN RE: HB300 by Howard (Relating to an exemption from sales and use taxes for certain family care items.),
As Engrossed

Estimated Two-year Net Impact to General Revenue Related Funds for HB300, As Engrossed : a negative impact of (\$226,713,000) through the biennium ending August 31, 2025.

Additionally, the bill will have a direct impact of a revenue loss to the Tax Reduction and Excellence in Education Fund of (\$8,224,000) for the 2024-25 biennium. Any loss to the Tax Reduction and Excellence in Education must be made up with an equal amount of General Revenue to fund the Foundation School Program.

General Revenue-Related Funds, Five- Year Impact:

<i>Fiscal Year</i>	<i>Probable Net Positive/(Negative) Impact to General Revenue Related Funds</i>
2024	(\$104,997,000)
2025	(\$121,716,000)
2026	(\$126,937,000)
2027	(\$132,432,000)
2028	(\$138,185,000)

All Funds, Five-Year Impact:

<i>Fiscal Year</i>	<i>Probable Revenue (Loss) from General Revenue Fund 1</i>	<i>Probable Revenue (Loss) from Tax Reduc. & Excell. Edu. Fund 305</i>	<i>Probable Revenue (Loss) from Cities</i>	<i>Probable Revenue (Loss) from Transit Authorities</i>
2024	(\$104,997,000)	(\$3,809,000)	(\$19,970,000)	(\$6,630,000)
2025	(\$121,716,000)	(\$4,415,000)	(\$23,150,000)	(\$7,690,000)
2026	(\$126,937,000)	(\$4,604,000)	(\$24,140,000)	(\$8,010,000)
2027	(\$132,432,000)	(\$4,803,000)	(\$25,180,000)	(\$8,360,000)
2028	(\$138,185,000)	(\$5,012,000)	(\$26,280,000)	(\$8,720,000)

<i>Fiscal Year</i>	<i>Probable Revenue (Loss) from Counties & Special Districts</i>
2024	(\$4,530,000)
2025	(\$5,250,000)
2026	(\$5,480,000)
2027	(\$5,710,000)
2028	(\$5,960,000)

Fiscal Analysis

The bill would amend Chapter 151 of the Tax Code (State Sales and Use Tax) by amending and adding to Section 151.313, relating to health care supplies. The bill would add child and adult diapers, baby wipes, and baby bottles, as defined by the bill, to the list of items exempt from the sales and use taxes imposed by this Chapter.

The bill would also add new Sections 151.3132, 151.3133, and 151.3134 to exempt feminine hygiene products, maternity clothing, and breast milk pumping products from the taxes imposed by this Chapter.

Under the provisions of the bill, "feminine hygiene products" would include tampons, sanitary napkins, menstrual cups, menstrual sponges, menstrual pads, and other similar tangible personal property sold for the principal purpose of feminine hygiene related to the menstrual cycle or post-partem care. The bill would define "maternity clothing" as clothing intended for a woman to wear during pregnancy and the postpartum period that is designed to accommodate the changes in body size and shape that occur as a result of a pregnancy.

The bill would define "breast milk pumping product" as a breast pump, breast milk storage bag, nursing pad, nursing bra, or other similar tangible personal property sold for the principal purpose of pumping and storing breast milk, and a "breast pump" as an electrically or manually controlled device, including its power source, designed or marketed to be used to express milk from a human breast during lactation.

The bill would take effect September 1, 2023.

Methodology

Industry data on national sales of the baby items and sanitary protection products that would be exempted from sales and use tax by the bill were apportioned to Texas based on child, female, and elderly population, adjusted to omit estimated non-taxable sales to entities such as nonprofit organizations, multiplied by the sales tax rate to estimate the applicable sales tax, and extrapolated through 2028. An estimated amount of tax attributable to sales made by marketplace sellers was allocated to the Tax Reduction and Excellence in Education (TREE) Fund.

Local Government Impact

There would be a proportional loss of sales and use tax revenue for units of local government displayed in the above tables.

Source Agencies: 304 Comptroller of Public Accounts

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