

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 88TH LEGISLATIVE REGULAR SESSION

March 26, 2023

TO: Honorable Morgan Meyer, Chair, House Committee on Ways & Means

FROM: Jerry McGinty, Director, Legislative Budget Board

IN RE: HB3358 by Button (Relating to the amount of the refund to which certain persons are entitled of sales and use taxes imposed on tangible personal property used to provide cable television services, Internet access service, or telecommunications service.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for HB3358, As Introduced : a negative impact of (\$81,415,000) through the biennium ending August 31, 2025.

General Revenue-Related Funds, Five- Year Impact:

<i>Fiscal Year</i>	<i>Probable Net Positive/(Negative) Impact to General Revenue Related Funds</i>
2024	\$0
2025	(\$81,415,000)
2026	(\$86,873,000)
2027	(\$91,373,000)
2028	(\$95,873,000)

All Funds, Five-Year Impact:

<i>Fiscal Year</i>	<i>Probable Revenue (Loss) from General Revenue Fund</i> 1	<i>Probable (Cost) from General Revenue Fund</i> 1	<i>Change in Number of State Employees from FY 2023</i>
2024	\$0	\$0	0.0
2025	(\$80,700,000)	(\$715,000)	6.0
2026	(\$85,600,000)	(\$1,273,000)	12.0
2027	(\$90,100,000)	(\$1,273,000)	12.0
2028	(\$94,600,000)	(\$1,273,000)	12.0

Fiscal Analysis

The bill would amend Section 151.3186, Tax Code, regarding property used in cable television, internet access, or telecommunications services.

The bill would add new Subsection (d-1), stipulating a provider of these services is entitled to a refund equal to the amount of tax paid by the provider or subsidiary during the calendar year on property eligible for a refund under this section. This new Subsection would expire on January 1, 2034.

Under the provisions of the bill, a provider or subsidiary would be entitled to a refund for the calendar years 2024, 2025, 2026, 2027, 2028 and 2029.

The bill would take effect September 1, 2023.

Methodology

Section 151.3186 of the Tax Code allows providers or subsidiaries of cable television, internet access, or telecommunications services to claim a refund for taxes paid on certain tangible personal property. The maximum total refund allowable under this Section is currently capped at \$50 million dollars, which is pro-rated across all eligible providers and subsidiaries. This bill would eliminate the \$50 million cap.

Currently the Comptroller approves over \$110 million per year in refund requests under Section 151.3186 of the Tax Code. The table above indicates the amounts of estimated future refunds less the current \$50 million per calendar year currently allowed.

The tables above also include administrative cost estimates necessary to hire one Tax Auditor Supervisor and eleven Tax Auditors III to handle an estimated 285 additional refund assignments, as taxpayers would be able to seek a refund for any items that are within the four-year statute of limitation. The administrative cost estimates includes the funds to hire these FTEs, as well as the expected costs of rentals, in-state and out-of-state travel, and other subsequent costs.

Local Government Impact

No fiscal implication to units of local government is anticipated.

Source Agencies: 304 Comptroller of Public Accounts

LBB Staff: JMc, KK, SD