

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 88TH LEGISLATIVE REGULAR SESSION

May 9, 2023

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

FROM: Jerry McGinty, Director, Legislative Budget Board

IN RE: SB379 by Huffman (Relating to sales and use tax exemptions for wound care dressings and certain feminine hygiene products.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for SB379, As Introduced : a negative impact of (\$53,036,000) 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 (\$1,924,000) 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	(\$24,733,000)
2025	(\$28,303,000)
2026	(\$29,703,000)
2027	(\$31,160,000)
2028	(\$32,694,000)

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	(\$24,733,000)	(\$897,000)	(\$4,700,000)	(\$1,560,000)
2025	(\$28,303,000)	(\$1,027,000)	(\$5,380,000)	(\$1,790,000)
2026	(\$29,703,000)	(\$1,077,000)	(\$5,650,000)	(\$1,880,000)
2027	(\$31,160,000)	(\$1,130,000)	(\$5,930,000)	(\$1,970,000)
2028	(\$32,694,000)	(\$1,186,000)	(\$6,220,000)	(\$2,060,000)

<i>Fiscal Year</i>	<i>Probable Revenue (Loss) from Counties & Special Districts</i>
2024	(\$1,070,000)
2025	(\$1,220,000)
2026	(\$1,280,000)
2027	(\$1,340,000)
2028	(\$1,410,000)

Fiscal Analysis

The bill would amend Section 151.313 of the Tax Code, relating to health care supplies, to exempt wound care dressings and feminine hygiene products, as defined by the bill, from the taxes imposed under this Chapter.

The bill would take effect September 1, 2023.

Methodology

Industry data on national sales of the hygiene products that would be exempted from sales and use tax by the bill were apportioned to Texas by relevant 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 0305. Fiscal implications for units of local government were estimated proportionally.

The provisions of the bill exempting wound care dressings codify existing Comptroller policy and would have no fiscal impact.

There would be effects on the Economic Stabilization Fund (ESF) balance limit and consequent effects for GR reserves and transfers to ESF. Because sales tax revenue is initially deposited to the general revenue fund, the reduction in tax revenue in the 2024-25 biennium would reduce the 2026-27 ESF balance limit by ten percent of the reduction in tax, reducing 2025 severance tax reserves for transfer to the ESF by the amount of the balance limit reduction, and increasing available GR in 2025 by the amount of reduction of the reserves, however that amount is not expected to be significant.

Local Government Impact

There would be a corresponding loss of sales and use tax revenue from local taxing jurisdictions.

Source Agencies: 304 Comptroller of Public Accounts

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