

LEGISLATIVE BUDGET BOARD  
Austin, Texas

FISCAL NOTE, 88TH LEGISLATIVE REGULAR SESSION

April 12, 2023

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

FROM: Jerry McGinty, Director, Legislative Budget Board

IN RE: SB1000 by West (Relating to decreasing the state sales and use tax rate.), As Introduced

**Estimated Two-year Net Impact to General Revenue Related Funds** for SB1000, As Introduced : an impact of \$0 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 (\$230,457,075) 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>	Probable Net Positive/(Negative) Impact to <i>General Revenue Related Funds</i>
2024	(\$2,995,454,929)
2025	(\$3,598,560,214)
2026	(\$3,793,993,217)
2027	(\$3,998,837,735)
2028	(\$4,199,456,674)

All Funds, Five-Year Impact:

<i>Fiscal Year</i>	Probable Revenue (Loss) from <i>General Revenue Fund 1</i>	Probable Revenue (Loss) from <i>State Highway Fund 6</i>	Probable Revenue (Loss) from <i>State Parks Acct 64</i>	Probable Revenue (Loss) from <i>Tax Reduc. &amp; Excell. Edu. Fund 305</i>
2024	(\$2,995,454,929)	(\$2,519,109)	(\$11,582,180)	(\$104,689,444)
2025	(\$3,598,560,214)	(\$3,026,306)	(\$13,914,138)	(\$125,767,631)
2026	(\$3,793,993,217)	(\$3,190,661)	(\$14,669,796)	(\$132,597,903)
2027	(\$3,998,837,735)	(\$3,362,930)	(\$15,461,845)	(\$139,757,102)
2028	(\$4,199,456,674)	(\$3,531,646)	(\$16,237,555)	(\$146,768,620)

<i>Fiscal Year</i>	<b>Probable Revenue (Loss) from <i>Local Parks Account</i> 467</b>	<b>Probable Revenue (Loss) from <i>Parks/Wildlife Cap Acct</i> 5004</b>	<b>Probable Revenue (Loss) from <i>Historic Sites</i> 5139</b>	<b>Probable Revenue (Loss) from <i>Lrg County &amp; Municipal Rec &amp; Parks</i> 5150</b>
2024	(\$954,955)	(\$2,371,258)	(\$1,150,557)	(\$377,568)
2025	(\$1,147,226)	(\$2,848,687)	(\$1,382,210)	(\$453,588)
2026	(\$1,209,530)	(\$3,003,396)	(\$1,457,276)	(\$478,222)
2027	(\$1,274,835)	(\$3,165,554)	(\$1,535,957)	(\$504,042)
2028	(\$1,338,793)	(\$3,324,368)	(\$1,613,015)	(\$529,329)

**Fiscal Analysis**

The bill would lower the state sales and use tax rate from 6.25 percent to 5.75 percent.

The bill would take effect October 1, 2023.

**Methodology**

The estimates in the table above reflect the loss of sales and use tax expected from the lower tax rate, allocated among the accounts that receive deposits of sales and use tax revenue.

By reducing deposits to General Revenue, the bill would lower the maximum balance of the Economic Stabilization Fund. There would be a corresponding gain to General Revenue and loss to the Economic Stabilization Fund, as less severance tax revenue would be transferred between the funds.

Note, the Comptroller's estimates of the lost revenue could potentially differ from the estimates displayed above, however, those estimates are not available at this time.

**Local Government Impact**

There could be a potential gain of sales and use tax revenue to local taxing jurisdictions attributable to higher spending on taxable goods and services induced by a lower sales tax rate, however those amounts are not expected to be significant.

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

**LBB Staff:** JMc, KK, SD