

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 88TH LEGISLATIVE REGULAR SESSION

April 14, 2023

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

FROM: Jerry McGinty, Director, Legislative Budget Board

IN RE: SB1000 by West (relating to a temporary exemption from sales and use taxes for certain clothing and footwear.), Committee Report 1st House, Substituted

Estimated Two-year Net Impact to General Revenue Related Funds for SB1000, Committee Report 1st House, Substituted : a negative impact of (\$63,306,900) 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 (\$2,551,000) 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>	Probable Net Positive/(Negative) Impact to <i>General Revenue Related Funds</i>
2024	(\$70,341,000)
2025	\$7,034,100
2026	\$0
2027	\$0
2028	\$0

All Funds, Five-Year Impact:

<i>Fiscal Year</i>	Probable Revenue (Loss) from <i>General Revenue Fund 1</i>	Probable Revenue (Loss) from <i>Tax Reduc. & Excell. Edu. Fund 305</i>	Probable Revenue (Loss) from <i>Cities</i>	Probable Revenue (Loss) from <i>Transit Authorities</i>
2024	(\$70,341,000)	(\$2,551,000)	(\$13,380,000)	(\$4,440,000)
2025	\$0	\$0	\$0	\$0
2026	\$0	\$0	\$0	\$0
2027	\$0	\$0	\$0	\$0
2028	\$0	\$0	\$0	\$0

<i>Fiscal Year</i>	Probable Revenue (Loss) from <i>Counties & Special Districts</i>	Probable Revenue Gain from <i>General Revenue Fund 1</i>	Probable Revenue (Loss) from <i>Economic Stabilization Fund 599</i>
2024	(\$3,030,000)	\$0	\$0
2025	\$0	\$7,034,100	\$0
2026	\$0	\$0	(\$7,315,000)
2027	\$0	\$0	(\$293,000)
2028	\$0	\$0	(\$304,000)

Fiscal Analysis

The bill would add new Section 151.3265 to the Tax Code, creating a temporary sales and use tax holiday between 12:01 a.m. Friday, October 13, 2023 through 11:59 p.m. Sunday, October 15, 2023 on clothing and footwear items under \$200. The Section would expire October 31, 2023.

The bill would take effect immediately upon enactment, assuming it received the requisite two-thirds majority votes in both houses of the Legislature. Otherwise, it would take effect September 1, 2023.

Methodology

Estimates regarding the amount of clothing and footwear that would be exempt from state and local sales and use taxes under the provisions of the bill were taken from national data from the Bureau of Economic Analysis, apportioned to Texas, and reduced to account for the period of time described in the bill and the price cap of \$200.

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 sale 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. This effect, and associated reduction in ESF investment earnings, is indicated separately in the tables above from the direct effect of the tax rate reduction. There would be a further effect on ESF interest earnings allocable to GR; however, the interest effects are provisionally treated as negligible and not included in these estimates. These effects are estimated based on reserves and transfers relative to the ESF balance as estimated in the *2024-25 Biennial Revenue Estimate* and adjusted for the effects of SB 30 as engrossed.

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
LBB Staff: JMc, KK, SD