LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 89TH LEGISLATIVE REGULAR SESSION

April 21, 2025

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

FROM: Jerry McGinty, Director, Legislative Budget Board

IN RE: **HB2428** by Canales (Relating to certain reimbursements and discounts allowed for the collection and payment of sales and use taxes.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for HB2428, As Introduced: a negative impact of ($933,430,000) through the biennium ending August 31, 2027.

Additionally, the bill will have a direct impact of a revenue loss to the Tax Reduction and Excellence in Education Fund of ($33,805,000) for the 2026-27 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:

Fiscal Year	Probable Net Positive/(Negative) Impact to *General Revenue Related Funds*
2026	($320,300,000)
2027	($613,130,000)
2028	($141,510,000)
2029	($407,130,000)
2030	($426,980,000)

All Funds, Five-Year Impact:

Fiscal Year	Probable Revenue (Loss) from *General Revenue Fund* 1	Probable (Cost) from *General Revenue Fund* 1	Probable Revenue (Loss) from *Tax Reduc. & Excell. Edu. Fund* 305	Probable Revenue (Loss) from *Cities*
2026	($318,740,000)	($1,560,000)	($11,564,000)	($60,440,000)
2027	($613,130,000)	$0	($22,241,000)	($116,260,000)
2028	($141,510,000)	$0	($5,135,000)	($26,830,000)
2029	($407,130,000)	$0	($14,764,000)	($77,200,000)
2030	($426,980,000)	$0	($15,490,000)	($80,960,000)

Fiscal Year	Probable Revenue (Loss) from *Transit Authorities*	Probable Revenue (Loss) from *Counties & Special Districts*
2026	($20,030,000)	($14,900,000)
2027	($38,530,000)	($28,660,000)
2028	($8,890,000)	($6,610,000)
2029	($25,590,000)	($19,030,000)
2030	($26,830,000)	($19,960,000)

Fiscal Analysis

The bill would allow a taxpayer to deduct 2.5 percent of the amount of taxes imposed on credit card sales, as defined by the bill, due from the taxpayer under this chapter. The bill would limit a taxpayer from deducting or withholding more than $10 million in a calendar quarter.

The bill would prohibit a taxpayer from deducting or withholding any amount under this section of a prepayment from the taxpayer's liability for taxes if the taxpayer uses the 2.5 percent deduction on credit card sales described in the bill.

The bill would take effect September 1, 2025.

Methodology

The bill would increase the discount on sales and use tax reports timely filed from .5 percent to 2.5 percent for credit card sales; the discount for non-credit card sales would remain .5 percent.

The bill would prohibit a taxpayer that receives the prepayment discount from receiving the new 2.5 percent discount on credit card sales. This could result in taxpayers who prepay their tax liability deciding to receive the discount for timely filing instead, thereby increasing the overall amount of discounts received by taxpayers.

According to the Comptroller, a taxpayer that ceases to prepay sales and use taxes and becomes a regular payer would make 1 fewer monthly or quarterly payment in the first year following the change from prepayment to regular payment. The cumulative effect of this over the biennium would result in a reduction of cash flow in the 2026-27 biennium, as some remittances from these taxpayer that would have been received before the end of fiscal year 2027 on an estimated prepayment basis are instead received on a regular basis in fiscal 2028. This slowdown in cash flow is reflected in the estimates above.

Comptroller records were used to determine the amount of timely filer discounts currently received by taxpayers, adjusted for the portion estimated attributable to credit card sales and the proposed new discount rate, and extrapolated forward.

Technology

According to the Comptroller, the administrative cost estimate includes a one-time technology cost of $1,560,000 fiscal year 2026 allowing for 10,400 programming hours for contractor resources to modify multiple tax systems. The impacted systems include sales tax return generation, batch returns, CICS returns, EDI returns, Web returns, ECMS, and Compute Balance changes that would be required to implement the provisions of this bill.

Local Government Impact

There would be a corresponding loss of sales and use tax revenue from local taxing jurisdictions displayed in the tables above.

Source Agencies: 304 Comptroller of Public Accounts

LBB Staff: JMc, KK, SD