

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 89TH LEGISLATIVE REGULAR SESSION

March 30, 2025

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

FROM: Jerry McGinty, Director, Legislative Budget Board

IN RE: HB2481 by Curry (Relating to the exemption from sales and use taxes for clothing, footwear, and certain school-related items.), As Introduced

Estimated Two-year Net Impact to General Revenue Related Funds for HB2481, As Introduced: a negative impact of (\$23,060,000) through the biennium ending August 31, 2027, if the bill takes immediate effect; or a negative impact of (\$11,850,000) through the biennium ending August 31, 2027, if the effective date of the bill is September 1, 2025.

Additionally, the bill will have a direct impact of a revenue loss to the Tax Reduction and Excellence in Education Fund of (\$836,000) if the bill takes immediate effect or (\$430,000) if the bill takes effect September 1, 2025 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.

All Funds, Five-Year Impact:

<i>Fiscal Year</i>	Probable Revenue (Loss) from General Revenue Fund 1	Probable Revenue (Loss) from Tax Reduc. & Excell. Edu. Fund 305	Probable Revenue (Loss) from Cities	Probable Revenue (Loss) from Transit Authorities
2026	(\$11,210,000)	(\$406,000)	(\$2,130,000)	(\$700,000)
2027	(\$11,850,000)	(\$430,000)	(\$2,250,000)	(\$740,000)
2028	(\$12,630,000)	(\$458,000)	(\$2,390,000)	(\$790,000)
2029	(\$13,410,000)	(\$484,000)	(\$2,540,000)	(\$840,000)
2030	(\$14,200,000)	(\$514,000)	(\$2,690,000)	(\$890,000)

<i>Fiscal Year</i>	Probable Revenue (Loss) from Counties & Special Districts
2026	(\$520,000)
2027	(\$550,000)
2028	(\$590,000)
2029	(\$630,000)
2030	(\$660,000)

The above tables assume an immediate effective date of the bill. The tables on the next page assume an effective date of September 1, 2025.

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>
2026	\$0	\$0	\$0	\$0
2027	(\$11,850,000)	(\$430,000)	(\$2,250,000)	(\$740,000)
2028	(\$12,630,000)	(\$458,000)	(\$2,390,000)	(\$790,000)
2029	(\$13,410,000)	(\$484,000)	(\$2,540,000)	(\$840,000)
2030	(\$14,200,000)	(\$514,000)	(\$2,690,000)	(\$890,000)

<i>Fiscal Year</i>	Probable Revenue (Loss) from <i>Counties & Special Districts</i>
2026	\$0
2027	(\$550,000)
2028	(\$590,000)
2029	(\$630,000)
2030	(\$660,000)

Fiscal Analysis

The bill would amend two sales tax exemptions, the Clothing and Footwear for a Limited Period and School Supplies and School Backpacks before the Start of School, by increasing the amount under which an item is eligible for exemption from sales and use tax from \$100 to \$150.

Beginning in 2026, on January 1 each year, products eligible for sales tax exemption would have an item's maximum allowable sales price increased by an amount equal to the previous year's value multiplied by the percent increase in the Consumer Price Index (CPI), as defined in the bill, during the previous state fiscal year.

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, 2025.

Methodology

Amounts in the Comptroller's report *Tax Exemptions and Tax Incidence Report (January 2025)* were used as the basis for the analysis, adjusted for the increase to a \$150 price cap, and extrapolated forward.

Because the sales tax holiday affected by the bill takes place in August and sales tax revenue is typically remitted to the Comptroller the month after it was collected, the fiscal impact of the bill were it to take immediate effect would first be seen in September of 2025 (fiscal year 2026). If the bill were to have an effective date of September 1, 2025, the first fiscal impact of the bill would be seen in fiscal year 2027.

Local Government Impact

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

Source Agencies: 304 Comptroller of Public Accounts

LBB Staff: JMc, KK, SD