

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 89TH LEGISLATIVE REGULAR SESSION

May 10, 2025

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

FROM: Jerry McGinty, Director, Legislative Budget Board

IN RE: **HB2825** by Craddick (relating to sales and use tax rates and refunds for certain tangible personal property used to provide cable television services, Internet access services, or telecommunications services; reducing the rate of the state sales and use tax applicable to certain taxable items.),
Committee Report 1st House, Substituted

Estimated Two-year Net Impact to General Revenue Related Funds for HB2825, Committee Report 1st House, Substituted: an impact of \$0 through the biennium ending August 31, 2027.

However, there would be an impact of (\$17,260,000) through the biennium ending August 31, 2029.

General Revenue-Related Funds, Five- Year Impact:

<i>Fiscal Year</i>	Probable Net Positive/(Negative) Impact to General Revenue Related Funds
2026	\$0
2027	\$0
2028	\$6,780,000
2029	(\$24,040,000)
2030	(\$26,420,000)

All Funds, Five-Year Impact:

<i>Fiscal Year</i>	Probable Revenue (Loss) from General Revenue Fund 1
2026	\$0
2027	\$0
2028	\$6,780,000
2029	(\$24,040,000)
2030	(\$26,420,000)

Fiscal Analysis

The bill would reduce the sales and use tax rate on the sale, lease, rental, storage, use, or other consumption of certain tangible personal property (TPP) used in cable television, internet access, or telecommunications services from the sales and use tax.

The bill would provide, effective January 1, 2028, a tax rate of 4 percent on the TPP described in the bill. Under current law, the sales tax rate for such TPP is 6.25 percent.

The bill would repeal the current law exemption for Property Used in Cable Television, Internet Access, or

Telecommunications Services.

The bill would take effect January 1, 2027.

Methodology

The repeal of Section 151.3186, Tax Code, would eliminate the current refund of state sales and use tax, paid on TPP purchased for use in cable television, internet access, or telecommunications services. The refund is capped by statute at \$50 million per year. The repeal would take place on the effective date of the bill, January 1, 2027.

The bill would reduce the sales and use tax rate paid on TPP purchased for use in cable television, internet access, or telecommunications services from 6.25 percent to 4 percent.

Comptroller records regarding the total amount of Sec. 151.3186 refund requests made under current law were used to project taxable purchases that would be subject to the reduced tax rate after 2027, multiplied by the difference in that tax rate and the current law rate, and the result net against the elimination of the \$50 million annual refund available under current law.

Local Government Impact

No fiscal implication to units of local government is anticipated.

Source Agencies: 304 Comptroller of Public Accounts

LBB Staff: JMc, KK, SD