

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 89TH LEGISLATIVE REGULAR SESSION

May 9, 2025

TO: Honorable Ken King, Chair, House Committee on State Affairs

FROM: Jerry McGinty, Director, Legislative Budget Board

IN RE: SB1405 by Nichols (relating to increasing access to and reducing taxation of Internet services.),
Committee Report 2nd House, Substituted

No fiscal implication to the State is anticipated.

This bill would amend several provisions related to broadband development and funding, and taxation of internet service and broadband grants.

The bill would change the deadline for the Comptroller to publish statistics related to the pole replacement program from the 60th day after receiving funds to November 1 of each year.

The bill would increase the minimum broadband service speed requirements, defining “broadband service” as having a download speed of at least 100 megabits per second (versus the current 25 megabits per second) and an upload speed of at least 20 megabits per second (versus the current three megabits per second).

The bill would require the Broadband Development Office (BDO) to classify broadband serviceable locations and establish a program for contracts, grants, loans, and financial incentives to expand broadband access to unserved and underserved locations, prohibiting awards for last-mile broadband service. The BDO would be required to publish information about grant awards on their website.

The bill would exclude “Internet access service” from being classified as a taxable service under the sales tax. The first \$25 of monthly internet access charges from sales tax, would be repealed.

The bill would repeal certain franchise tax provisions related to broadband funding and clarify by that grants received under specific federal programs would be considered qualifying broadband grants.

The bill would repeal Chapter 490H (Governor's Broadband Development Council) and Sections 490I.0105(g)-(l), (n)-(p) of the Government Code.

The bill provisions amending the franchise tax would apply only to a report originally due on or after January 1, 2026.

The bill would take effect July 1, 2025, assuming it received the requisite two-thirds majority votes in both houses of the Legislature. Otherwise, it would take effect September 1, 2025.

According to the Comptroller, state and local sales taxation of internet access ceased after June 30, 2020, as required by federal law, and this bill amends statute to accord with that fact. Consequently, the sales tax amendments would have no fiscal implications. The amendment regarding exclusion of broadband grants from revenue for purposes of franchise tax is clarifying in nature and will have no fiscal implications.

Local Government Impact

No fiscal implication to units of local government is anticipated.

Source Agencies: 304 Comptroller of Public Accounts

LBB Staff: JMc, WP, LCO, CSmi, NV, RStu, KK, SD