

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 81ST LEGISLATIVE REGULAR SESSION

April 19, 2009

TO: Honorable Rene Oliveira, Chair, House Committee on Ways & Means

FROM: John S. O'Brien, Director, Legislative Budget Board

IN RE: HB3895 by Oliveira (Relating to the sales tax on computer program services.), As Introduced

Estimated Two-year Net Impact to General Revenue Related Funds for HB3895, As Introduced: a positive impact of \$289,630,000 through the biennium ending August 31, 2011, if the effective date of the bill is July 1, 2009; or a positive impact of \$256,403,000 through the biennium ending August 31, 2011, if the effective date of the bill is October 1, 2009.

All Funds, Six-Year Impact:

Fiscal Year	Probable Revenue Gain from General Revenue Fund 1	Probable Revenue Gain from Cities	Probable Revenue Gain from Transit Authorities	Probable Revenue Gain from Counties
2009	\$10,648,000	\$0	\$0	\$0
2010	\$135,472,000	\$25,195,000	\$8,714,000	\$3,560,000
2011	\$143,510,000	\$26,690,000	\$9,231,000	\$3,771,000
2012	\$152,266,000	\$28,318,000	\$9,794,000	\$4,002,000
2013	\$160,941,000	\$29,932,000	\$10,352,000	\$4,230,000
2014	\$169,954,000	\$31,608,000	\$10,931,000	\$4,466,000

The above table assumes an effective date of July 1, 2009. The table below assumes an effective date of October 1, 2009.

Fiscal Year	Probable Revenue Gain from General Revenue Fund 1	Probable Revenue Gain from Cities	Probable Revenue Gain from Transit Authorities	Probable Revenue Gain from Counties
2010	\$112,893,000	\$18,896,000	\$6,535,000	\$2,670,000
2011	\$143,510,000	\$26,960,000	\$9,231,000	\$3,771,000
2012	\$152,266,000	\$28,318,000	\$9,794,000	\$4,002,000
2013	\$160,941,000	\$29,932,000	\$10,352,000	\$4,230,000
2014	\$169,954,000	\$31,608,000	\$10,931,000	\$4,466,000

Fiscal Analysis

The bill would amend Chapter 151 of the Tax Code, regarding the sales tax.

The bill would eliminate the sales tax exception for the repair, maintenance, creation, and restoration of computer programs from the definition of "taxable services." Under this bill, these services would become subject to taxation.

The bill would take effect July 1, 2009, assuming that it received the requisite two-thirds majority

votes in both houses of the Legislature. Otherwise, it would take effect October 1, 2009.

Methodology

The fiscal impact was estimated based on data on the Texas sale of custom computer programming services gathered from the U.S. Bureau of the Census. Sales were multiplied by the state sales tax rate; adjusted for potential effective dates of July 1, 2009 and October 1, 2009; and extrapolated through fiscal 2014.

Local Government Impact

There would be a proportional gain of sales tax revenue to units of local government.

Source Agencies: 304 Comptroller of Public Accounts

LBB Staff: JOB, MN, SD, KK