

**SUBJECT:** Expanding sales tax exemptions for college student organizations

**COMMITTEE:** Ways and Means — favorable, without amendment

**VOTE:** 7 ayes — Oliveira, McCall, Bonnen, Y. Davis, Heflin, Keffer, Ritter  
0 nays  
4 absent — Craddick, Hartnett, Hilbert, Ramsay

**WITNESSES:** For — Daron Roberts, University of Texas at Austin  
Against — None  
On — John Heleman, Comptroller of Public Accounts

**BACKGROUND:** Under Tax Code, sec. 151.321, a student organization affiliated with a public or private college or university may conduct a single one-day fund-raising event per month that is exempt from state sales and use taxes if the sales price of an item sold is \$5,000 or less. More expensive items are exempt if made by or donated to the group for sale, unless purchased by the donor. The student organization must have a primary purpose other than engaging in business or making a profit and must file a certification with the comptroller showing that the group is affiliated with the higher education institution.

Tax Code, sec. 151.310 applies similar provisions to certain religious, educational, and public service organizations, including those exempt from federal income taxes under the U.S. Internal Revenue Code, sec. 501(c). These organizations may hold two tax-free sales per calendar year, subject to the same sales-price limitations as for student groups. If two of these organizations jointly hold a tax-free sale, neither group may hold another tax-free sale during the calendar year.

**DIGEST:** HB 82 would amend the Tax Code by exempting from the sales tax for a calendar year the first \$5,000 of a qualified student organization's total receipts from sales of taxable items that otherwise would not be exempt under current law.

This bill would take effect October 1, 2001. For purposes of the new provision, the period from October 1 through December 31, 2001, would be treated as a calendar year.

**SUPPORTERS  
SAY:**

HB 82 would encourage student organizations to do more fundraising by easing the one-sale-a-month restriction on sales-tax exemptions and letting the organizations keep more of the money they raise. Some of their money-making enterprises are ongoing and, because they involve small sums, do not allow a group to take full advantage of the current exemption. One example is a squad of cheerleaders selling school cups at athletic events throughout a season.

This bill particularly would benefit small groups and groups at smaller schools, but it would help all student organizations. For example, the approximately 900 student organizations at the University of Texas at Austin raise a total of about \$1.3 million a year, but the groups average only about \$1,450 individually. The expanded exemption would stretch much-needed resources, given that student organizations typically do not qualify for federal tax-exempt status. Upon taking effect, this bill would allow student organizations to raise up to \$5,000 tax-free in the final three months of 2001 as if that period were an entire calendar year.

Sales by student organizations do not compete significantly with retailers. Most items cost \$2 or less and often bear some type of school logo or design. Expanding the exemption would not cost the state a significant amount of revenue.

**OPPONENTS  
SAY:**

However well-intentioned, HB 82 raises a fairness issue by favoring one group of similarly situated taxpayers over others. The bill would not extend the proposed exemption to other nonprofit and charitable organizations that face similar restrictions. Student organizations already may hold 12 tax-free sale days per year, while religious, educational, and public service groups may hold only two (or only one if held jointly with another group).