

SUBJECT: Tax refund for property used in cable TV, Internet, or telecom services

COMMITTEE: Ways and Means — committee substitute recommended

VOTE: 6 ayes — Hilderbran, Otto, Bohac, Button, Eiland, N. Gonzalez

0 nays

3 absent — Martinez Fischer, Ritter, Strama

WITNESSES: For — Robert Howden, Texans for Economic Progress; Max Jones, The Greater Houston Partnership; John Kennedy, Texas Taxpayers & Research Association; Richard Lawson, Verizon; James LeBas, Texas Cable Association; Scott Mackey, Wireless Telecommunications Providers; Leslie Ward, AT&T; (*Registered, but did not testify*: Joe Arabie, Allied Workers L.U. 22; Louis Bacarisse, Texas Statewide Telephone Cooperatives, Inc.; Todd Baxter, Time Warner Cable; Nora Belcher, Texas e-Health Alliance; Jennifer Bergland, Texas Computer Education Association; Donna Bogue, SUPERNet/NETNet; Jeff Burdett, Texas Cable Association; Jose Camacho, Texas Telephone Association; John Colyandro, Texas Conservative Coalition; Velma Cruz, Sprint; Deborah Giles, SHI Government Solutions; Currie Hallford, Texas Political & Legislative Committee/TPLC-CWA; Patrick Hogan, Texas Technology Consortium; Homero Lucero, CenturyLink; Annie Mahoney, Texas Conservative Coalition; Leo Munoz, Comcast; John Orbaugh; Texas K-12 CTO Council; Bill Peacock, Texas Public Policy Foundation; Wendy Reilly, TechAmerica; Shayne Woodard, Big Bend Telephone Company; Geoff Wurzel, TechNet)

Against — Jeff Coyle, City of San Antonio; Dick Lavine, Center for Public Policy Priorities

DIGEST: CSHB 1133 would grant providers of cable television service, Internet access service, or telecommunications services a refund of the sales-and-use taxes paid on tangible personal property if the provider directly used or consumed the property in or during:

- the distribution of cable television service;
- the provision of Internet access service;

- the transmission, conveyance, routing, or reception of telecommunication services.

The amount of a refund that a provider could receive would be limited to the amount paid in sales taxes on eligible property or, if the total pool of requested refunds exceeded \$50 million in a calendar year, a pro rata share of that \$50 million.

The refund proposed by CSHB 1133 would not apply to sales taxes imposed by local governments. Property used or consumed in providing a data processing or information service would not be eligible for a refund.

The bill would take effect on September 1, 2013.

**SUPPORTERS  
SAY:**

CSHB 1133 would spur massive new investment in the cable TV, Internet access, and telecom markets in Texas through a targeted tax cut. CSHB 1133 would allow providers of these services to reclaim part or all of the sales tax they paid on the purchase of materials invested in these markets.

According to a 2012 study by Telecom Advisory Services, investment in telecommunications and related technologies are sensitive to sales taxes. Eliminating the sales tax on cable TV investments in Texas would result in a per capita increase in investments of \$2.55. Eliminating the sales tax on wireline and wireless investments would increase per capita investments by \$7.04. In total, the increase in investment in the first year would amount to \$242 million and would result in a 123.1 percent share of savings reinvested. Even the pro rata reimbursements created by CSHB 1133 would provide a powerful incentive for investment in Texas.

It is important to make Texas more attractive to these industries because they are at the vanguard of the high-tech economy that is starting to transform Texas. It is important to foster these industries because the jobs CSHB 1133 would help create in installation and maintenance of high tech networks would be high-paying positions. Creating good jobs in Texas would be a praiseworthy use of a tax cut.

CSHB 1133 would not break the bank. The bill would establish a limit of \$50 million on the amount of refunds that could be made annually. If the amount of eligible refunds exceeded \$50 million, then each claimant would be entitled to a pro rata share of the \$50 million limit.

CSHB 1133 would protect local governments. The bill would exempt local sales taxes from the proposed refund.

**OPPONENTS  
SAY:**

CSHB 1133 would cost the state \$100 million in lost sales tax revenue every fiscal biennium. The Legislature cannot continue to grant new corporate tax handouts when it has not yet properly planned for ongoing and expected expenses, including restoring the cuts it made to the state's public education system last session and adequately planning for expected expansion in Medicaid enrollment.

The investment CSHB 1133 hopes to spur would occur anyway because Texas is a robust and rapidly growing market. Texas has an expanding customer base ensuring investment by businesses hoping to sign up new customers and sell new products and services to existing ones.

**NOTES:**

According to the Legislative Budget Board, the state sales tax exemption in CSHB 1133 would have a negative impact of \$100 million to general revenue related funds in fiscal 2014-15.