

SUBJECT: Sales tax holiday for water-saving products

COMMITTEE: Ways and Means — favorable, without amendment

VOTE: 5 ayes — Hilderbran, Otto, Button, Eiland, Strama
0 nays
3 absent — Bohac, Gonzalez, Martinez Fischer
1 present, not voting — Ritter

WITNESSES: For — (*Registered but did not testify*: Randy Erben, The Home Depot; Stephanie Gibson, Texas Retailers Association; Daniel Gonzalez, Texas Association of Realtors; Myron Hess, National Wildlife Federation; Joshua Houston, Texas Impact; Ken Kramer, Sierra Club - Lone Star Chapter; Chloe Lieberknecht, The Nature Conservancy; Clay McKelvy, Public Citizen; Scott Norman, Texas Association of Builders; Cyrus Reed, Lone Star Chapter - Sierra Club; Chelsey Thomas, Texas Association of Realtors; Ronnie Volkening, Texas Retailers Association; David Weinberg, Texas League of Conservation Voters)

Against — None

On — None

BACKGROUND: Tax Code, sec. 151.333(c) allows for a sales tax exemption of qualified energy-efficient products if the sale takes place during a period beginning at 12:01 a.m. on the Saturday preceding the last Monday in May (Memorial Day) and ending at 11:59 p.m. on the last Monday in May.

DIGEST: HB 178 would exempt products certified by the U.S. EPA's WaterSense program from sales tax during Texas' Energy Star Sales Tax Holiday weekend.

This bill would take effect July 1, 2013 if finally passed by a two-thirds record vote of the membership of each house. Otherwise, it would take effect October 1, 2013.

**SUPPORTERS
SAY:**

Adding WaterSense-certified products to the Energy Star Sales Tax Holiday held every Memorial Day would encourage water savings, allow Texans to save on utility bills, and encourage replacement of inefficient products.

HB 178 would amend the sales tax holiday to cover qualified WaterSense-labeled devices, products that are designed to use 20 percent less water, including toilets, bathroom sink faucets, urinals, shower heads, and weather-based irrigation controllers.

The 80th Legislature in 2007 passed HB 1000 by Burnam, et. al. to create a sales tax exemption for energy-efficient products. HB 178 would amend state statute to add water-efficient products.

Water conservation is the least expensive way to reduce water usage, and given Texas' water crisis, water-saving measures Texans can implement are important. According to the EPA, if one of every 10 U.S. homes installed Water Sense-labeled faucets or accessories in their bathrooms, it would save 6 billion gallons of water per year and more than \$50 million in water supply and treatment costs.

The bill would mean less sales tax revenue for the state, but it would be well worth it. Studies on tax holidays have reported that increased sales of taxable items often accompanied tax-free products, making up for any reduction in tax revenue.

**OPPONENTS
SAY:**

While the water conservation that HB 178 would seek to encourage is important, the Legislature should refrain from giving sales tax breaks to consumer products it believes to be beneficial. If the Legislature approves tax breaks for water-efficient toilets and the like, tax cuts for fuel-efficient vehicles and any number of products that help conserve resources could be next.

**OTHER
OPPONENTS
SAY:**

HB 178 would help consumers make small steps toward fixing Texas' resource adequacy issues, but the major responsibility to address water shortage is the job of the Texas' elected officials, who should not dodge this critical obligation. The Legislature should embrace major investment in water infrastructure.

NOTES:

The Legislative Budget Board estimates that HB 178 could have a negative impact on general revenue of \$2.6 million in fiscal 2014-2015.