

SUBJECT: Limited-period sales tax exemption for certain water-efficient products

COMMITTEE: Ways and Means — favorable, without amendment

VOTE: 10 ayes — D. Bonnen, Y. Davis, Bohac, Button, Darby, Martinez Fischer, Murphy, Springer, C. Turner, Wray

0 nays

1 absent — Parker

SENATE VOTE: On final passage, May 4 — 20–11 (Birdwell, Burton, Campbell, Fraser, Garcia, Hall, Hancock, Huffines, Kolhorst, L. Taylor, V. Taylor)

WITNESSES: (*On House companion bill, HB 2492*)
For — (*Registered, but did not testify:* Heather Cooke, City of Austin, Austin Water; Michael Diamond, Scotts Miracle Gro Co.; Steven Garza, Texas Association of Realtors; Billy Howe, Texas Farm Bureau; Mike Howe, Texas Section American Water Works Association; Scott Norman, Texas Association of Builders; Jim Reaves, Texas Nursery and Landscape Association; Ronnie Volkening, Texas Retailers Association; David Weinberg, Texas League of Conservation Voters; Brian Yarbrough, The Home Depot)

Against — None

BACKGROUND: Tax Code, sec. 151.333 lists energy-efficient products, such as certain air conditioners, clothes washers and ceiling fans, that are exempt from sales tax during Memorial Day weekend. The exemption begins at 12:01 a.m. on the Saturday preceding the last Monday in May and ends at 11:59 p.m. on the last Monday in May.

DIGEST: SB 1356 would specify that certain water-efficient products certified as “WaterSense” would be exempted from sales tax during the Memorial Day weekend tax holiday period for other energy-efficient items under Tax Code, sec. 151.333(c). A WaterSense product is a product certified

under the WaterSense program operated by the U.S. Environmental Protection Agency or a similar successor program.

The bill would take effect July 1, 2015, if finally passed by a two-thirds record vote of the membership of each house. Otherwise, it would take effect October 1, 2015.

**SUPPORTERS
SAY:**

SB 1356 would contribute to water conservation efforts by encouraging the purchase of WaterSense products just in time for the hot, dry months of summer. Water conservation is important for Texas, given the drought conditions that have afflicted the state for so long. Making certain water-efficient products eligible for the tax holiday that already covers energy-efficient items would be a simple and effective way to encourage water conservation.

Increasing water conservation also would save consumers money over the long run. The bill would use the WaterSense program because it has a proven track record of effectiveness. By one estimate, this program has helped consumers nationally save a cumulative 757 billion gallons of water and more than \$14.2 billion in water and energy bills since 2006.

Meanwhile, because of the limited nature of the tax holiday, the bill would place no significant burden on businesses or individuals in terms of the distribution of taxes or fees in the state.

**OPPONENTS
SAY:**

This bill would further distort the free market by incentivizing the purchase of some items over others. By specifically targeting certain Environmental Protection Agency-certified products, it might benefit certain vendors unfairly. The government should not be in the business of picking winners and losers when it comes to products or services being sold on the market. If government wants to encourage purchasing, it should lower the overall tax burden to allow people to buy more in general.

While some tax exemptions might be appropriate, this bill would go too far in expanding the state tax holiday. A tax exemption on school supplies,

for example, makes sense because children are required to attend school, but this bill would give tax breaks for voluntary purchases. The government does not need to give people incentives to shop.

OTHER
OPPONENTS
SAY:

The bill would lower revenue to the state with this sales tax exemption. The state has many other priorities that need funding, such as schools and transportation, and cannot afford to provide tax breaks for certain products that would reduce available state revenues by what the bill's fiscal note estimates could be more than \$2 million per fiscal year.

NOTES:

The House companion bill, HB 2492 by Darby, was placed on the General State Calendar for May 13 but was not considered.

The Legislative Budget Board's fiscal note estimates that the bill would have a negative impact of about \$4.3 million to general revenue related funds through fiscal 2016-17.