

BILL ANALYSIS

Senate Research Center
84R23704 TJB-F

H.B. 2313
By: Bohac (Garcia)
Finance
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Engrossed

AUTHOR'S / SPONSOR'S STATEMENT OF INTENT

Currently, nonprofit organizations are exempt from paying sales tax for purchases that relate to the purpose or mission of the organization. The law also exempts a taxable item sold by an exempt organization from the sales tax. For many of these qualifying nonprofit organizations, interested parties note, these tax-free sales are simply a fundraiser, but there are other organizations for which sales through a vending machine program constitute a primary purpose or mission of the organization. These nonprofit charitable organizations provide life skill and job skill services to Texans with intellectual or developmental disabilities by teaching them counting, taking inventory, stocking, and management skills through vending machine operations. The parties suggest that the requirement to calculate and remit sales tax on sales through these vending machines detracts from the charitable mission of the organizations and deprives them of needed resources that could be used to better serve Texans with special needs.

H.B. 2313 seeks to provide for a limited sales tax exemption for certain nonprofit organizations that provide training and services to Texans with special needs through a vending machine program.

H.B. 2313 amends current law relating to an exemption from the sales and use tax for items sold by certain nonprofit organizations through a vending machine and adding a provision subject to a criminal offense.

RULEMAKING AUTHORITY

This bill does not expressly grant any additional rulemaking authority to a state officer, institution, or agency.

SECTION BY SECTION ANALYSIS

SECTION 1. Amends Subchapter H, Chapter 151, Tax Code, by adding Section 151.3051, as follows:

Sec. 151.3051. SALES THROUGH CERTAIN VENDING MACHINES. (a) Provides that the sale of tangible personal property through a vending machine is exempt from the taxes imposed by this chapter if:

- (1) the sale is made by a nonprofit organization that is exempt from federal income taxation under Section 501(a), Internal Revenue Code of 1986, by being listed as an exempt organization in Section 501(c)(3) of that code;
- (2) the machine is owned by the nonprofit organization; and
- (3) the machine is stocked and maintained by individuals with special needs as part of an independent life skills and education program operated by the nonprofit organization.

(b) Requires a nonprofit organization that makes a sale exempt from taxation under this section to maintain records demonstrating that the sale is eligible for the exemption.

SECTION 2. Provides that the change in law made by this Act does not affect taxes imposed before the effective date of this Act, and the law in effect before the effective date of this Act is continued in effect for purposes of the liability for and collection of those taxes.

SECTION 3. Effective date: September 1, 2015.