

BILL ANALYSIS

Senate Research Center

H.B. 2562
By: Shine (Creighton)
Finance
5/12/2017
Engrossed

AUTHOR'S / SPONSOR'S STATEMENT OF INTENT

The Texas comptroller of public accounts has indicated that two sales tax exemptions related to film and amusement services require clarification to ensure continuity of each exemption's application.

The amusement services exemption provides that amusement services exclusively provided by certain designated entities, including political subdivisions and nonprofit corporations, are not taxable for sales and use tax purposes. The National Football League's (NFL) hosting of the Super Bowl previously qualified by virtue of the NFL's federal 501(c)(6) status. Recently, the tax status for the NFL changed, which would result in the loss of this exemption for events such as the Super Bowl.

There is also a sales tax exemption provided to property used in the production of motion pictures, or video or audio recording and broadcasts. This exemption was created with the intent of providing a sales and use tax exemption for property used in the production of commercial productions. However, the statute does not provide any definitions, resulting in ambiguous language that could allow for the exemption of items purchased for noncommercial production of film, video, or audio recordings.

H.B. 2562 addresses these issues by clarifying that the Super Bowl qualifies as a nontaxable amusement service and that the sales tax exemption provided to property used in the production of motion pictures, videos, or audio recordings applies only to commercial productions.

H.B. 2562 amends Chapter 151, Tax Code, to clarify certain sales tax exemptions related to film and amusement services.

H.B. 2562 specifies that an admission to the National Football League championship game is exempt from sales and use taxes as a nontaxable amusement service. This would continue the long-standing tradition of tax-free Super Bowl tickets for games hosted in the State of Texas.

H.B. 2562 defines "master recording" to clarify that the sales tax exemption on property used in the production of motion pictures or video or audio recordings exemption is available for a recording produced for the purpose of transferring rights to that recording for consideration. This would eliminate the possibility of the exemption being applied to noncommercial productions.

H.B. 2562 amends current law relating to a sales and use tax exemption for property used in master recordings and admissions to certain amusement services.

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 Section 151.3101, Tax Code, by adding Subsection (d), to provide that an admission to the championship game of the National Football League is exempted from the taxes imposed by this chapter (Limited Sales, Excise, and Use Tax).

SECTION 2. Amends Section 151.3185, Tax Code, by amending Subsections (a) and (e) and adding Subsection (h), as follows:

(a) Provides that the sale, lease, or rental or storage, use, or other consumption of the following items are exempted from the taxes imposed by this chapter:

(1) tangible personal property that will become an ingredient or component part of:

(A) a motion picture, video, or audio master recording, a copy of which is sold or offered for ultimate sale, licensed, distributed, broadcast, or otherwise exhibited for consideration, rather than a motion picture or video or audio recording, a copy of which is sold or offered for ultimate sale, licensed, distributed, broadcast, or otherwise exhibited; or

(B) makes no changes to this paragraph;

(2) tangible personal property that is necessary or essential to and used or consumed in or during:

(A) the production of a motion picture, video, or audio master recording, a copy of which is sold or offered for ultimate sale, licensed, distributed, broadcast, or otherwise exhibited for consideration, rather than the production of a motion picture or video or audio recording, a copy of which is sold or offered for ultimate sale, licensed, distributed, broadcast, or otherwise exhibited; or

(B) makes no changes to this paragraph;

(3) makes no changes to this subdivision.

(e) Provides that the sale of a motion picture, video, or audio master recording by the producer of the master is exempt from the taxes imposed by this chapter.

(h) Defines “master recording.”

SECTION 3. Makes application of this Act prospective.

SECTION 4. Effective date: September 1, 2017.