

BILL ANALYSIS

Senate Research Center
88R22256 CJD-F

C.S.S.B. 1000
By: West
Finance
4/12/2023
Committee Report (Substituted)

AUTHOR'S / SPONSOR'S STATEMENT OF INTENT

Texas' state sales tax, called the limited sales and use tax, was enacted by the 57th Texas Legislature in 1961 and became effective September 1 of that year.

The rate of tax initially set by the enacting legislation was two percent of the retail sales price of all tangible personal property not specifically excepted from taxation. The rate has been changed by the legislature multiple times since 1961, always increasing, and never decreasing:

1968: Rate Change to 3%
1971: Rate Change to 3.25%
1984: Rate Change to 4.125%
1986: Rate Change to 5.25%
1987: Rate Change to 6%
1990: Rate Change to 6.25%

The rate of the state's sales and use tax has not changed since the last increase in 1990. Several data sets indicate that now would be an ideal time for Texas to examine lowering this rate to provide tax relief to a wider set of the state's population than property tax alone can provide:

*According to projections from the Comptroller of Public Accounts of the State of Texas (comptroller), sales tax revenue is expected to continue to increase through 2028. In fact, the comptroller estimates that sales tax revenue will exceed \$57,716,000 in Fiscal Year 2028.

*According to the comptroller's Biennial Revenue Estimate for 2024–2025, total revenue available for general purpose spending is estimated at \$188.23 billion dollars—a record high for the state.

* According to the Texas Taxpayers and Research Association, Texans pay the 9th highest sales tax of any state, with our combined state and local tax rate sitting as the 14th highest in the nation.

Providing sales tax relief to Texans will come with a cost of approximately \$4 billion per year of the biennium, according to the Texas Taxpayers and Research Association.

Sales tax relief will save the average family of four approximately \$400 per year, utilizing calculations based upon the comptroller's Tax Incidence Report for 2023.

Sales tax relief would benefit individual Texans, families, and Texas businesses, as business pay approximately two-fifths of sales taxes.

Because sales tax is considered one of the most regressive forms of taxation, persons at the bottom of the income ladder and middle of the income ladder are able to benefit in greater proportion because the sales tax paid on taxed goods is a higher portion of the spender's overall income and overall spending pattern. Sales tax relief will touch every Texan, and provide tax relief that many Texans who do not own property are unable to see. Layering sales tax relief alongside planned property tax relief will enable every Texan to be touched by tax relief.

(Original Author's/Sponsor's Statement of Intent)

C.S.S.B. 1000 amends current law relating to a temporary exemption from sales and use taxes for certain clothing and footwear.

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 151.3265, as follows:

Sec. 151.3265. CLOTHING AND FOOTWEAR FOR LIMITED PERIOD; TEMPORARY EXEMPTION. (a) Provides that the sale of an article of clothing or footwear to which Section 151.326 (Clothing and Footwear for Limited Period) applies is exempted from the taxes imposed by Chapter 151 (Limited Sales, Excise, and Use Tax) if:

(1) the sales price of the article is less than \$200; and

(2) the sale takes place during the period beginning at 12:01 a.m. Friday, October 13, 2023, and ending at 11:59 p.m. Sunday, October 15, 2023.

(b) Provides that this section expires October 31, 2023.

SECTION 2. Makes application of this Act prospective.

SECTION 3. Effective date: upon passage or September 1, 2023.