

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 83RD LEGISLATIVE REGULAR SESSION

May 24, 2013

TO: Honorable David Dewhurst, Lieutenant Governor, Senate
Honorable Joe Straus, Speaker of the House, House of Representatives

FROM: Ursula Parks, Director, Legislative Budget Board

IN RE: **HB3572** by Hilderbran (Relating to the administration, collection, and enforcement of taxes on mixed beverages; imposing a tax on sales of mixed beverages; decreasing the rate of the current tax on mixed beverages.), **Conference Committee Report**

Estimated Two-year Net Impact to General Revenue Related Funds for HB3572, Conference Committee Report: a negative impact of (\$2,450,000) through the biennium ending August 31, 2015.

The bill would make no appropriation but could provide the legal basis for an appropriation of funds to implement the provisions of the bill.

General Revenue-Related Funds, Five-Year Impact:

| Fiscal Year | Probable Net Positive/(Negative) Impact to General Revenue Related Funds |
|-------------|--|
| 2014 | (\$2,225,000) |
| 2015 | (\$225,000) |
| 2016 | (\$225,000) |
| 2017 | (\$225,000) |
| 2018 | (\$225,000) |

All Funds, Five-Year Impact:

| Fiscal Year | Probable Savings/(Cost) from General Revenue Fund 1 | Change in Number of State Employees from FY 2013 |
|-------------|--|--|
| 2014 | (\$2,225,000) | 5.0 |
| 2015 | (\$225,000) | 5.0 |
| 2016 | (\$225,000) | 5.0 |
| 2017 | (\$225,000) | 5.0 |
| 2018 | (\$225,000) | 5.0 |

Fiscal Analysis

The bill would amend Chapter 183 of the Tax Code, regarding the mixed beverage tax, to reduce the rate of the tax on the gross receipts from alcohol sales of mixed beverage permittees from 14 percent to 6.7 percent.

The bill also would create a mixed beverage sales tax at a rate of 8.25 percent of the sales price of all drinks that are subject to the mixed beverage gross receipts tax. The mixed beverage sales tax would be administered, collected, and enforced in the same manner as the limited sales and use tax. Timely filer deductions and tax prepayment discounts related to the limited sales and use tax would not apply to the mixed beverage sales tax. Also not applicable would be local option sales taxes under Subtitle C, Title 3, Tax Code. However, the local allocations from the mixed beverage sales tax would be distributed in the same manner as the mixed beverage gross receipts tax.

The bill would take effect January 1, 2014.

Methodology

This analysis assumes the new 8.25 percent mixed beverage sales tax, a change to the mixed beverage gross receipts tax rate from 14 percent to 6.7 percent, and that mixed beverage permittees would not change their current menu prices for mixed beverages. Due to an expected increase in their outlays, consumers are expected to purchase somewhat fewer drinks. In summary, the new method for taxing these beverages—a slightly higher overall rate structure and slightly fewer taxable drink purchases—would have no significant net fiscal impact.

The Comptroller's office estimates that they would need funding to hire additional enforcement field collection staff to handle the anticipated increase in workload and programming and system support costs to implement the new tax.

Technology

The Comptroller's office estimates a one-time technology cost of \$2,000,000 in fiscal 2014 for programming and system support costs.

Local Government Impact

No significant fiscal implication to units of local government is anticipated.

Source Agencies: 304 Comptroller of Public Accounts, 458 Alcoholic Beverage Commission

LBB Staff: UP, KK, SD, AG