

**SUBJECT:** Exempting certain backpacks and school supplies from the sales tax

**COMMITTEE:** Ways and Means — favorable, without amendment

**VOTE:** 9 ayes — Oliveira, Bohac, Hartnett, Hilderbran, C. Howard, P. King, Paxton, Peña, Taylor

0 nays

2 absent — Otto, Villarreal

**WITNESSES:** For — Mary Jo Burgess, Texas Parent Teacher Association; Ronnie Volkening, Texas Retailers Association; (*Registered, but did not testify*: Josh Sanderson, Association of Texas Professional Educators; Paige Williams, Texas Classroom Teachers Association)

Against — None

On — John Kroll, Coalition for Appropriate Sales Tax Law Enactment

**BACKGROUND:** During the back-to-school sales-tax holiday weekend, beginning on the third Friday in August, most clothing and footwear items below \$100 are exempt from sales tax. Non-eligible items include:

- any special clothing or footwear that is primarily designed for athletic activity or protective use and that is not normally worn except when used for the athletic activity or protective use for which it is designed;
- accessories, including jewelry, handbags, luggage, umbrellas, wallets, watches, and similar items carried on or about the human body, without regard to whether worn on the body in a manner characteristic of clothing; and
- the rental of clothing or footwear.

The Streamlined Sales and Use Tax Agreement (SSUTA), a multi-state compact designed to simplify and modernize sales and use tax administration, defines “school supplies” as: binders; book bags; calculators; cellophane tape; blackboard chalk; compasses; composition books; crayons; erasers; folders, including expandable, pocket, plastic, and

manila; glue, paste, and paste stickers; highlighters; index cards and boxes; legal pads; lunch boxes; markers; notebooks; paper, including: loose leaf ruled notebook paper, copy paper, graph paper, tracing paper, manila paper, colored paper, poster board, and construction paper; pencil boxes and other school supply boxes; pencil sharpeners; pencils; pens; protractors; rulers; scissors; and writing tablets.

**DIGEST:**

HB 1801 would add school supplies and certain backpacks to the back-to-school sales-tax holiday. Eligible school supplies and backpacks would be exempted from sales taxes if they were purchased:

- for use by a student in a public or private elementary or secondary school;
- during the sales tax holiday beginning on the third Friday in August and ending on the following Sunday; and
- for less than \$100.

HB 1801 would define “backpack” to mean a messenger bag, book bag, or a pack with straps that a person wears on the person’s back, including a backpack with wheels if the backpack can also be worn on the back. Luggage, a briefcase, an athletic bag, a duffle bag, a gym bag, a computer bag, a purse, or a framed backpack would not be eligible. A “school supply” would have the meaning assigned under the SSUTA.

This bill would take effect on July 1, 2009, if finally passed by a two-thirds record vote of the membership of each house. Otherwise, it would take effect October 1, 2009.

**SUPPORTERS  
SAY:**

HB 1801 would help Texas families with the yearly costs of sending their children to school and would help students be prepared to succeed. Under current law, school clothes are exempted from state and local sales taxes during the state’s back-to-school sales tax holiday. While the tax holiday has been a huge success, it does not cover school supplies, which are essential to a child’s success. HB 1801 would add school supplies to the sales tax holiday to assist parents with the costs of equipping their children for school, which would help children succeed in the school environment.

HB 1801 only would specify those 27 school supplies that have been universally agreed to in the multi-state Streamlined Sales and Use Tax Agreement. This list contains the absolute essentials and was formed with the input and experience of educators and tax professionals from across

the country. If the list included items that some schools require that generally are not education-specific, like tissue and plastic bags, consumers could take advantage of the back-to-school sales-tax holiday and purchase large quantities of these goods without ever intending to use them as school supplies. HB 1801 uses a narrow list of goods that generally are education-specific. Sticking to the list supplied by SSUTA would ensure the smallest possible fiscal note while still ensuring that families and students received substantial assistance as they prepared for a school year.

Other states have found that sales-tax holidays actually can increase revenue collections, because people increase their overall purchases, and taxes from taxable goods sold offset the losses from increased exemptions. This increase in revenue could help offset any projected losses associated with the bill.

OPPONENTS  
SAY:

According to the LBB, HB 1801 would reduce general revenue by \$40.25 million over 2009-2014. Local governments would lose \$10.7 million over the same five years. Texas' infrastructure, law enforcement, education and healthcare systems, and other public programs require adequate funding. This sales tax break would require the tax burden needed to fund these programs be shifted to other taxpayers or that the programs supported by these funds be scaled back.

OTHER  
OPPONENTS  
SAY:

HB 1801 would not exempt enough items necessary for school. Many school districts require items that do not appear on the SSUTA's definition of school supplies. Many districts require students to bring tissues, plastic bags, and other supplies. In addition, many families buy computers and reference material for the sole purpose of their children's education. If goal of a sales-tax exemption weekend is to enable families to prepare for the start of school, the list of exempted items should reflect what Texas school districts and other education professionals require, not what an agreement between states deems acceptable for exemption.