

SUBJECT: Exempting certain art supplies from sales taxes during limited periods

COMMITTEE: Ways and Means — favorable, without amendment

VOTE: 7 ayes — Hilderbran, Otto, Bohac, Button, N. Gonzalez, Ritter, Strama

0 nays

2 absent — Eiland, Martinez Fischer

WITNESSES: For — (*Registered, but did not testify*: Ellen Arnold, Texas PTA; Ann Fickel, Texas Classroom Teachers Association)

Against — None

BACKGROUND: During the back-to-school sales-tax holiday weekend, beginning on the third Friday in August, most clothing, footwear, school supplies and backpacks priced under \$100 are exempt from state and local sales taxes.

The Streamlined Sales and Use Tax Agreement, 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 357 would add certain art supplies to the back-to-school sales-tax holiday. Paintbrushes used for artwork; watercolors; acrylic, tempera, and oil paints 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.

The bill would take immediate effect if passed by a two-thirds record vote of the membership of each house. Otherwise, it would take effect September 1, 2013.

**SUPPORTERS
SAY:**

HB 357 would add certain art supplies to the list of items families could purchase tax free during the annual sales tax holiday. This would help families with students in art classes purchase the supplies needed for their class.

While the tax holiday has been a huge success, it does not cover all of the supplies students need for art class, including paint and brushes.

**OPPONENTS
SAY:**

According to the Legislative Budget Board, HB 357 would reduce general revenue by \$1.35 million over fiscal 2014-15 if the bill becomes effective immediately, or a negative impact of \$650,000 if the effective date is September 1, 2013. Local governments would lose between \$150,000 to \$200,000 per year.

As more items are added to the sales tax holiday, the loss of tax revenue grows. Texas' infrastructure, law enforcement, education and health care systems, and other public programs require adequate funding. This sales tax break would require that the tax burden needed to fund these programs be shifted to other taxpayers or that the programs supported by these funds be scaled back.