

BILL ANALYSIS

Senate Research Center

S.B. 1003
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Finance
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As Filed

DIGEST

Currently, under the Internet Tax Freedom Act passed by the 105th United States Congress, a state is prohibited from assessing a sales tax for Internet access charges. However, the law contained a "grandfather clause" allowing states such as Texas that were already assessing such a tax, to continue to do so. Under current Texas law, Internet access is considered to be an information service which is a taxable service subject to sales tax. S.B. 1003 would exempt Internet access service from sales tax.

PURPOSE

As proposed, S.B. 1003 exempts Internet access service from the sales tax.

RULEMAKING AUTHORITY

This bill does not grant any additional rulemaking authority to a state officer, institution, or agency.

SECTION BY SECTION ANALYSIS

SECTION 1. Amends Chapter 151A, Tax Code, by adding Sections 151.00393 and 151.00394, as follows:

Sec. 151.00393. "INTERNET." Defines "Internet."

Sec. 151.00394. "INTERNET ACCESS SERVICE." Defines "Internet access service."

SECTION 2. Amends Chapter 151H, Tax Code, by adding Section 151.325, as follows:

Sec. 151.325. INTERNET ACCESS SERVICE. Provides that the sale, use, or other consumption in this state of Internet access service is exempted from taxes imposed by this chapter. Provides that Internet access service does not include and the exemption under Subsection (a) does not apply to data processing services, information services, telecommunications services, and cable television services.

SECTION 3. (a) Effective date: the first day of the first calendar quarter beginning on or after the date that it may take effect under Section 39, Article III, Texas Constitution.

(b) Makes application of this Act prospective.