BILL ANALYSIS

Senate Research Center

S.B. 1330
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Finance
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AUTHOR'S / SPONSOR'S STATEMENT OF INTENT

For more than 30 years, Texas has exempted property used in the manufacturing process from the sales and use tax. The result has been an unqualified economic success, as Texas continues to be a national leader in manufacturing output and jobs. S.B. 1330 proposes a manufacturing sales tax reduction for the 21st century economy, an economy not built for widgets but of high-speed communications networks.

Texas has the eighth highest tax rates on equipment used to build communications networks, such as those providing wireless, broadband, and cable television to Texans. Twenty states plus the District of Columbia do not charge any sales tax on equipment used to build communications networks, meaning Texas is falling behind other states when it comes to getting communications network investment. S.B. 1330 provides a sales tax exemption for investment in telecommunications, Internet access, or cable network equipment.

More investment in communications networks has a widespread benefit to many Texas industries and keeps Texas a great place to start or relocate a business. As it did for manufacturing, this 21st century tax policy will spur billions of dollars in new economic activity, create new jobs, improve broadband services, and restore Texas's advantage over other states when it comes to network investment.

As proposed, S.B. 1330 amends current law relating to a sales and use tax exemption for tangible personal property used to provide cable television service, Internet access service, or telecommunications services and to the exclusion of that property in certain economic development agreements.

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 151.3186, as follows:

> Sec. 151.3186. PROPERTY USED IN CABLE TELEVISION, INTERNET ACCESS, OR TELECOMMUNICATIONS SERVICES. (a) Defines "provider" in this section.
>
> > (b) Provides that the sale, lease, or rental or storage, use, or other consumption of tangible personal property is exempted from the taxes imposed by this chapter if:
> >
> > > (1) the property is sold, leased, or rented to or stored, used, or consumed by a provider or a subsidiary of a provider; and
> > >
> > > (2) the property is directly used or consumed by the provider or subsidiary described by Subdivision (1) in or during the distribution of cable television service, the provision of Internet access service, or the

transmission, conveyance, routing or reception of telecommunications services.

(c) Provides that the sale, lease, or rental or storage, use, or other consumption of tangible personal property is not exempted from the taxes imposed by this chapter if the property is directly used or consumed in or during the provision, creation, or production of data processing or information services as defined in this chapter.

SECTION 2. Amends Section 313.021(2), Tax Code, to redefine "qualified property."

SECTION 3. Provides that the change in law made by this Act does not affect tax liability accruing before the effective date of this Act. Provides that tax liability accruing before the effective date of this Act continues in effect as if this Act had not been enacted, and former law is continued in effect for the collection of taxes due and for civil and criminal enforcement of the liability for those taxes.

SECTION 4. Effective date: September 1, 2013.