

BILL ANALYSIS

Senate Research Center
86R12412 SRA-F

H.B. 3086
By: Cole (Zaffirini)
Finance
5/1/2019
Engrossed

AUTHOR'S / SPONSOR'S STATEMENT OF INTENT

The Tax Code contains a sales tax exemption for property used to produce audio or video recordings. The intent of this exemption is promote development of the entertainment industry in Texas, thereby creating jobs and economic growth. The current exemption, however, could be interpreted to exempt from the sales tax all of the products consumers buy today that are capable of producing audio and video recordings, including cell phones. This interpretation does not follow the spirit of the statute and could create a large financial burden for the state.

H.B. 3086 would clarify that this exemption is intended to apply to only "master recordings," which the bill defines as an audio or video recording that is intended to be copied for commercial sales. This change would bring the current statute in line with its original legislative intent.

H.B. 3086 amends current law relating to the sales and use tax exemption for property used in the production of motion picture, video, or audio recordings and broadcasts.

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 the heading to Section 151.3185, Tax Code, to read as follows:

Sec. 151.3185. PROPERTY USED IN THE PRODUCTION OF MOTION PICTURE, VIDEO, OR AUDIO RECORDINGS AND BROADCASTS.

SECTION 2. Amends Section 151.3185, Tax Code, by amending Subsections (a) and (e) and adding Subsection (h), as follows:

(a) Provides that the sale, lease, or rental or storage, use, or other consumption of the following items are exempted from the taxes imposed by this chapter (Limited Sales, Excise, and Use Tax):

(1) tangible personal property that will become an ingredient or component part of:

(A) a motion picture, video, or audio master recording, a copy of which is sold or offered for ultimate sale, licensed, distributed, broadcast, or otherwise exhibited for consideration, rather than a motion picture or video or audio recording, a copy of which is sold or offered for ultimate sale, licensed, distributed, broadcast, or otherwise exhibited; or

(B) makes no changes to this paragraph;

(2) tangible personal property that is necessary or essential to and used or consumed in or during:

(A) the production of a motion picture, video, or audio master recording, a copy of which is sold or offered for ultimate sale, licensed, distributed, broadcast, or otherwise exhibited for consideration, rather than the production of a motion picture or video or audio recording, a copy of which is sold or offered for ultimate sale, licensed, distributed, broadcast, or otherwise exhibited; or

(B) makes no changes to this paragraph; and

(3) makes no changes to this subdivision.

(e) Provides that the sale of a motion picture, video, or audio master recording by the producer of the master recording, rather than the sale of a motion picture, video, or audio master by the producer of the master, is exempt from the taxes imposed by this chapter.

(h) Defines "master recording" for purposes of this section (Property Used in the Production of Motion Pictures or Video or Audio Recordings and Broadcasts)

SECTION 3. Provides that the amendment made by this Act is a clarification of existing law and does not imply that existing law may be construed as inconsistent with the law as amended by this Act.

SECTION 4. Effective date: upon passage or September 1, 2019.