

SUBJECT: Creating a sales tax holiday for emergency preparation supplies

COMMITTEE: Ways and Means — favorable, without amendment

VOTE: 9 ayes — D. Bonnen, Y. Davis, Button, Darby, Martinez Fischer, Murphy, Springer, C. Turner, Wray

0 nays

2 absent — Bohac, Parker

SENATE VOTE: On final passage, May 4 — 26-5 (Birdwell, Burton, Hancock, Huffines, Kolkhorst)

WITNESSES: For — Paul Martin, National Association of Mutual Insurance Companies (*Registered, but did not testify*: Anne O’Ryan, AAA Texas, the Interinsurance Exchange of the Auto Club and Auto Club County Mutual; Annie Spilman, National Federation of Independent Business/TX)

Against — None

On — (*Registered, but did not testify*: Deeia Beck, Office of Public Insurance Counsel)

BACKGROUND: Tax Code, ch. 151 imposes a 6.25 percent sales tax on the sale of taxable items.

DIGEST: SB 904 would exempt the sale of certain emergency preparation supplies from the state sales tax for a three-day period in April. The three-day period would begin the Saturday before the last Monday in April and would end at midnight on the last Monday in April.

The bill would define “emergency preparation item” as:

- a portable generator that costs less than \$3,000;
- a storm protection device manufactured specifically to prevent

- damages to windows or doors, if less than \$300;
- an emergency/rescue ladder, if less than \$300; or
- certain items that cost less than \$75 each, including a reusable or artificial ice product; a portable, self-powered light source; a gasoline or diesel fuel container; certain batteries; an ice chest; a tarpaulin; a ground anchor system or tie-down kit; a cell phone battery or charger; certain portable self-powered radios; a fire extinguisher, smoke detector, or carbon monoxide detector; a hatchet or axe; a self-contained first-aid kit; or a non-electric can opener.

The bill would take effect September 1, 2015, and would not affect tax liability accruing before that date.

**SUPPORTERS
SAY:**

SB 904 would establish a tax holiday for emergency supplies and hurricane-proofing materials right before the storm season. It would be an incentive for Texans to purchase items that could save lives and significantly reduce property damage during weather-related emergencies.

This bill would raise public awareness about hurricane and disaster preparedness and would provide an opportunity for consumers to prepare themselves for potential threats. It is not the goal of the bill to increase economic activity but to increase the probability that a person would be prepared if a natural disaster should occur. This, in turn, would reduce the strain on social services, some of which are provided by the state, in the aftermath of a disaster.

**OPPONENTS
SAY:**

SB 904 would be another example of a sales tax holiday that effectively could distort markets and favor certain items over others. Sales tax holidays have been shown not to create additional economic activity or increase consumer purchases but merely to change the timing of purchases. Attempting to get people to buy certain items on certain days would fall outside of what government should seek to do.

NOTES:

The Legislative Budget Board's fiscal note indicates that this bill would have a negative impact of \$2.3 million through fiscal 2016-17.