

Department of Finance and Administration

Legislative Impact Statement

Bill: HB1764

Bill Subtitle: TO PROVIDE A SALES AND USE TAX EXEMPTION FOR THE SALE OF USED TEXTBOOKS TO STUDENTS ENROLLED IN AN INSTITUTION OF HIGHER EDUCATION.

Basic Change :

Representative J. Mayberry

HB1764 would amend § 26-52-401 to provide an exemption from sales and use tax on sales of used textbooks to students enrolled in an institution of higher education. The bill defines "institution of higher education" to mean an accredited postsecondary educational institution, college, or university. "Textbook" means a traditional book or trade book in printed and bound form that is published primarily for use by students in the classroom.

The Act would be effective on the first day of the calendar quarter following the effective date of the act (October 1, 2019).

Revenue Impact :

FY2020

-\$1.88 Million Total Loss to State Revenues

(8 months reduced tax collections)

- -\$1.26 million --- State General Revenue (4.5%)
- -\$.24 million --- Educational Adequacy (.875% tax)
- -\$.14 million --- Property Tax Relief Trust Fund (.5%)
- -\$.04 million --- Conservation Tax (.125%)
- -\$.14 million --- Highway Fund (.5%)
- -\$ 0 --- Educational Excellence Trust Fund
- -\$ 0 --- Educational Adequacy (GR transfer)
- -\$.04 million --- State Central Services
- -\$.02 million --- Constitutional Officers
- City and County Sales Tax Loss --- -\$625,000

FY2021

-\$2.90 Million Total Loss to State Revenues

- -\$1.75 million --- State General Revenue (4.5%)
- -\$.38 million --- Educational Adequacy (.875% tax)
- -\$.22 million --- Property Tax Relief Trust Fund (.5%)
- -\$.05 million --- Conservation Tax (.125%)
- -\$.22 million --- Highway Fund (.5%)
- -\$.18 million --- Educational Excellence Trust Fund
- -\$.02 million --- Educational Adequacy (GR transfer)
- -\$.06 million --- State Central Services
- -\$.03 million --- Constitutional Officers
- City and County Sales Tax Loss --- -\$966,000

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Taxpayer Impact :

College students could purchase used textbooks exempt from sales or use tax.

Resources Required :

None.

Time Required :

Adequate time is provided for implementation.

Procedural Changes :

Notification to registered retailers of change in sales tax code provisions. Amendment to sales and use tax rules would be required.

Other Comments :

None.

Legal Analysis :

Currently, sales and use tax is levied upon the gross proceeds or gross receipts derived from all sales of tangible personal property unless specifically exempted by law. The purchase of used textbooks is currently a taxable purchase. HB1764 creates an exemption from gross receipts and compensating use tax for the sale of used textbooks to students enrolled in an institution of higher education. The bill provides a definition for "institution of higher education" and "textbook."

There are no issues with the Streamlined Sales and Use Tax Agreement because instructional materials may be taxed differently than supplies.

Administratively, this does create potential confusion and compliance issues because it applies only to used textbooks. It is not clear whether certain editions of certain books would be considered textbooks compared to other editions of the same book.