

SUBJECT: Exempting volunteer fire departments from state taxes on boats and motors

COMMITTEE: Ways and Means — favorable, without amendment

VOTE: 6 ayes — Oliveira, McCall, Bonnen, Y. Davis, Keffer, Ritter
0 nays
5 absent — Craddick, Hartnett, Heflin, Hilbert, Ramsay

WITNESSES: None

BACKGROUND: Tax Code, sec. 160.021 imposes a state tax of 6-1/4 percent on retail sales of most boats and outboard motors in Texas. Sec. 160.022 imposes an equal use tax on boats and motors purchased outside the state and brought into Texas for use by a Texas resident or other person doing business in the state.

DIGEST: HB 244 would exempt from sales and use taxes any boat or motor sold to or used by a volunteer fire department or other volunteer organization formed to fight fires and provide emergency medical services, as long as the boat or motor was used exclusively by that organization.

HB 244 would take immediate effect if finally passed by a two-thirds record vote of the membership of each house. Otherwise, it would take effect September 1, 2001. The change would not affect taxes imposed before the effective date.

SUPPORTERS SAY: HB 244 would make it less expensive for volunteer fire departments and similar organizations to buy boats and outboard motors necessary to protect their communities. These boats are vital for search-and-rescue operations and for protecting property on waterfronts that may be hard to reach by road, but the modest budgets of these organizations may make it difficult for them to buy this equipment.

This bill would have no significant fiscal impact on state or local governments. Although Texas has several thousand volunteer fire departments, boats and boat motors are not a common purchase for these organizations, so the resulting loss in revenue would be minimal, according to the bill's fiscal note.

HB 244
House Research Organization
page 2

OPPONENTS
SAY:

HB 244 would cause a loss of state revenue from sales and use taxes by exempting boats and motors purchased by volunteer fire departments and similar organizations. Although helping these organizations may be a worthy goal, the state should avoid proposals that would decrease revenue at a time when the state budget is likely to be tight.