

BILL ANALYSIS

Senate Research Center
76R5948 CBH-D

S.B. 1056
By: Carona
Finance
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As Filed

DIGEST

In 1987, the Texas Legislature broadened the manufacturing exemption to include a sales tax exemption for purchases on manufacturing equipment. Before this sale tax exemption, telecommunication manufacturers were being taxed at a substantially higher rate than other industries. Today, Texas faces competition for investment in telecommunications equipment. Over the last few years, there has been an increase in demand by consumers and businesses for more affordable, advanced, and accessible telecommunications. The state's current tax structure needs to be updated to keep pace with rapidly advancing technology, and the changes attributable to deregulation. S.B.1056 would exempt certain telecommunications equipment from sale and use taxes.

PURPOSE

As proposed, S.B. 1056 exempts certain telecommunications machinery from sale and use taxes.

RULEMAKING AUTHORITY

This bill does not grant any additional rulemaking authority to a state officer, institution, or agency.

SECTION BY SECTION ANALYSIS

SECTION 1. Amends Chapter 151H, Tax Code, by adding Section 151.3235, as follows:

Sec. 151.3235. CERTAIN TELECOMMUNICATIONS MACHINERY AND EQUIPMENT. Defines "Internet," "Internet service," and "telecommunications provider." Provides that machinery, equipment, operating software, and replacement parts and accessories used to provide telecommunications service or Internet service are exempt from taxes imposed by this chapter, if the machinery, equipment, operating software, replacement parts or accessories are sold, leased, or rented to, or stored, used, or consumed by a telecommunications provider in the conduct of a telecommunications service or Internet service business, or a subsidiary, affiliate, partner, or co-venturer of the telecommunications provider who uses the equipment to upgrade systems to allow for the provision of the telecommunications service or Internet service. Provides that this exemption provided by this section does not include office furniture and related office equipment.

SECTION 2. (a) Provides that this Act takes effect on the first day of the first calendar quarter beginning on or after the earliest date that it may take effect under Section 39, Article III, Texas Constitution.

(b) Makes application of this Act prospective.

SECTION 3. Emergency clause.