

S U S A N

C O M B S

TEXAS COMPTROLLER *of* PUBLIC ACCOUNTS

WWW.WINDOW.STATE.TX.US



April 11, 2008

<NAME>

<ADDRESS>

<CITY STATE ZIP>

Dear Taxpayer:

This letter is to notify you that the Comptroller will assess and collect the fee on sexually oriented businesses enacted by the 80th Texas Legislature. Further, we wish to clarify the effect of recent litigation challenging this fee.

On March 28, 2008, the 345th District Court in Travis County issued a judgment declaring that Sections 47.051-.056 of the Texas Business and Commerce Code that impose a fee on certain sexually oriented businesses are unconstitutional and invalid. The court order also included an injunction against the collection of the fee.

On April 7, 2008, the Office of the Attorney General filed an appeal of the district court's judgment with the 3rd Court of Appeals. The Office of the Attorney General advises that such an appeal suspends the trial court judgment, including the injunction, under Rules 25.1(g) and 24.1(f) of the Texas Rules of Appellate Procedure and Section 6.001 of the Civil Practice & Remedies Code. Therefore, the injunction is suspended.

The Comptroller will assess and collect the sexually oriented business fee as enacted by the Legislature. This statute imposes a fee on a sexually oriented business in an amount equal to five dollars on each entry by each customer admitted to the business, which is due and payable to the state on a quarterly basis. The fee should be remitted on the 20th day of the month following the end of each calendar quarter. The first reports and payments are due on April 21, 2008. For more information on the sexually oriented business fee, go to our Web site at www.window.state.tx.us/taxinfo/sobus_fee/index.html.

If you have any further questions regarding the sexually oriented business fee, please contact us by e-mail at tax.help@cpa.state.tx.us, or call us toll-free at (800) 252-5555, or at (512) 463-4600 in Austin.

Sincerely,

A handwritten signature in black ink that reads "Bryant K. Lomax". The signature is fluid and cursive.

Bryant K. Lomax
Manager, Tax Policy Division