

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 78TH LEGISLATIVE REGULAR SESSION

May 7, 2003

TO: Honorable Ron Wilson, Chair, House Committee on Ways & Means

FROM: John Keel, Director, Legislative Budget Board

IN RE: HB450 by Mowery (Relating to the imposition of a minimum franchise tax.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for HB450, As Introduced: a positive impact of \$143,171,109 through the biennium ending August 31, 2005.

The bill would make no appropriation but could provide the legal basis for an appropriation of funds to implement the provisions of the bill.

General Revenue-Related Funds, Five-Year Impact:

Fiscal Year	Probable Net Positive/(Negative) Impact to General Revenue Related Funds
2004	\$64,901,035
2005	\$78,270,074
2006	\$81,006,495
2007	\$82,957,495
2008	\$84,870,495

All Funds, Five-Year Impact:

Fiscal Year	Probable Revenue Gain/(Loss) from <i>GENERAL REVENUE FUND</i> 1	Probable (Cost) from <i>GENERAL REVENUE FUND</i> 1
2004	\$65,068,000	(\$166,965)
2005	\$78,771,000	(\$500,926)
2006	\$81,181,000	(\$174,505)
2007	\$83,132,000	(\$174,505)
2008	\$85,045,000	(\$174,505)

Fiscal Year	Change in Number of State Employees from FY 2003
2004	4.0
2005	4.0
2006	4.0
2007	4.0
2008	4.0

Fiscal Analysis

The bill would amend Chapter 171 of the Tax Code to impose a minimum tax of \$100 on any corporation required to file a franchise tax report.

Under current law, a corporation with less than \$150,000 in total gross receipts or with a computed tax liability of less than \$100 files an abbreviated information franchise tax report and owes no tax. Under the provisions of this bill, all corporations subject to the tax would be required to file a report and would owe the greater of their computed tax liability or \$100.

The bill would repeal Section 171.2022, which relieves corporations that owe no tax of the responsibility for filing a franchise tax report.

This bill would take effect January 1, 2004 and apply to reports originally due on or after that date.

Methodology

This fiscal note is based upon information provided by the Comptroller's Office.

Comptroller staff estimated the bill's fiscal impact using franchise tax data from the Comptroller's tax files.

The Comptroller administrative cost estimate includes the costs of handling the increased workload of additional "tax due" returns, notification of all corporations, mailing of Legislative update, and additional phone calls.

Local Government Impact

No fiscal implication to units of local government is anticipated.

Source Agencies: 304 Comptroller of Public Accounts, 307 Secretary of State

LBB Staff: JK, SD, WP, CT