LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 78TH LEGISLATIVE REGULAR SESSION

April 9, 2003

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

FROM: John Keel, Director, Legislative Budget Board

IN RE: **HB611** by Giddings (Relating to a franchise tax credit for certain corporations that provide group health benefit plans to their employees.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for HB611, As Introduced: a negative impact of ($28,000,000) through the biennium ending August 31, 2005.

General Revenue-Related Funds, Five-Year Impact:

Fiscal Year	Probable Net Positive/(Negative) Impact to General Revenue Related Funds
2004	$0
2005	($28,000,000)
2006	($34,500,000)
2007	($36,200,000)
2008	($38,000,000)

All Funds, Five-Year Impact:

Fiscal Year	Probable Revenue Gain/(Loss) from *GENERAL REVENUE FUND* 1
2004	$0
2005	($28,000,000)
2006	($34,500,000)
2007	($36,200,000)
2008	($38,000,000)

Fiscal Analysis

The bill would amend Chapter 171 of the Tax Code to provide a franchise tax credit for employer-paid health insurance for a corporation's employees.

To be eligible for the credit, the corporation could have no more than 100 employees and would have to pay at least 80 percent of the premiums or other charges assessed under a group health benefit plan for the corporation's full-time employees.

The maximum credit available to a corporation with no more than 25 employees could not exceed 100 percent of the corporation's tax liability, before the application of any other credits available.

The maximum credit available to a corporation with between 26 and 50 employees could not exceed 75 percent of the tax liability.

The maximum credit available to a corporation with between 51 and 75 employees could not exceed 50 percent of the tax liability. And the maximum credit available to a corporation with between 76 and 100 employees would be the same expenditures limited to 25 percent of the tax liability.

A corporation would be prohibited from assigning unused credits. The Comptroller would prepare a report each biennium stating the amount of credits claimed during the previous two years.

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

Methodology

This estimate is based on analyses made by the Comptroller's Office.

Comptroller staff used information from the Comptroller's franchise tax files, employment data from the Texas Workforce Commission, and data on the cost and availability of employer-provided health insurance by firm size. Corporations were assigned to employment size categories based on total gross receipts. The credit was calculated based on the corporation's franchise tax liability, estimated employment, probability of the corporation offering group health insurance, probability of an employee enrolling in an employer's plan, and the cost of health insurance. The estimate was adjusted for the experience in Texas with franchise tax credits and increased over time for inflation.

No fiscal impact is anticipated for fiscal 2004 because the credit's base is limited to expenditures made after January 1, 2004. The bill would have a reduced revenue impact in fiscal 2005 because the accounting year for non-calendar year corporations would be partially completed before the effective date. The bill would be fully implemented for fiscal 2006.

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, JO, SD, WP, CT