

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 78TH LEGISLATIVE REGULAR SESSION

April 15, 2003

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

FROM: John Keel, Director, Legislative Budget Board

IN RE: HB2209 by Wong (Relating to an exemption from the franchise tax for corporations engaged primarily in biotechnology research and development.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for HB2209, As Introduced: a negative impact of (\$4,197,000) 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	(\$807,000)
2005	(\$3,390,000)
2006	(\$3,627,000)
2007	(\$3,739,000)
2008	(\$3,900,000)

All Funds, Five-Year Impact:

Fiscal Year	Probable Revenue Gain/(Loss) from GENERAL REVENUE FUND 1
2004	(\$807,000)
2005	(\$3,390,000)
2006	(\$3,627,000)
2007	(\$3,739,000)
2008	(\$3,900,000)

Fiscal Analysis

The bill would amend Chapter 171 of the Tax Code to create a franchise tax exemption for a corporation primarily engaged in biotechnology research and development.

"Biological research and development" would be defined as an activity described in Category 541710 of the 2002 North American Industry Classification System, which includes physical, engineering, and life sciences.

This bill would take effect on January 1, 2004 and would not affect taxes imposed before the effective date.

Methodology

This fiscal note is based on analyses done by the Comptroller's Office.

Data from the Comptroller's franchise tax files on corporations that would be affected by this bill were used to estimate the value of the exemption. Firms that would become exempt as of January 1, 2004 would file a final report during fiscal 2004.

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