LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 78TH LEGISLATIVE REGULAR SESSION

May 31, 2003

TO: Honorable David Dewhurst , Lieutenant Governor, Senate
Honorable Tom Craddick, Speaker of the House, House of Representatives

FROM: John Keel, Director, Legislative Budget Board

IN RE: **HB2424** by McCall (Relating to technical changes to taxes and fees administered by the comptroller; providing penalties.), **Conference Committee Report**

Estimated Two-year Net Impact to General Revenue Related Funds for HB2424, Conference Committee Report: an impact of $0 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	$0
2006	($344,000)
2007	($753,000)
2008	($783,000)

All Funds, Five-Year Impact:

Fiscal Year	Probable Revenue Gain/(Loss) from *GENERAL REVENUE FUND* 1
2004	$0
2005	$0
2006	($344,000)
2007	($753,000)
2008	($783,000)

Fiscal Analysis

The bill would amend various sections of the Tax Code and other statutes to clarify administrative and technical issues relating to taxes and fees collected by the Comptroller.

The revenue losses shown in the revenue table relate to the expansion of a franchise tax credit for capital investment. The bill would allow a corporation to claim a franchise credit or carry forward a credit for a qualified capital investment made on or after January 1, 2003, without regard to whether the county in which the corporation made the investment had lost its designation as being within the strategic investment area under the following conditions: (1) the corporation committed to the investment in that county before January 2003, (2) at the time the corporation made the commitment, the county was within the strategic investment area, (3) the total investment was at least $100 million, (4) the county had a population of less than 15,700, and (5) the corporation had made qualifying investments in the county in each of the prior two years.

Provisions of the bill may provide state sales tax and state hotel tax rebates for certain hotel projects that are owned or located on land owned by a municipality or non-profit corporation acting on behalf of a municipality. These provisions may result in a loss of state revenue. Such losses are not reflected in the table above.

Under current law, the provision granting a reduced tax rate on high-cost natural gas would not apply to wells spudded or completed after September 1, 2010. The bill would extend the reduced tax rate to high-cost wells drilled after September 1, 2010. This provision would result in a significant loss of state revenue beginning in fiscal year 2010.

Methodology

The estimates of franchise tax credits were provided by the Comptroller of Public Accounts. The estimates are based on investment credit activity in the counties that would be affected by bill. The new credit that would be earned under this bill would not affect franchise tax owed until fiscal 2006 due to the installments and carryforward from the prior investments.

Local Government Impact

The provisions of the bill related to state tax rebates for municipal hotel projects could result in revenue gains for certain municipalities.

Source Agencies: 304 Comptroller of Public Accounts

LBB Staff: JK, SD, WP, RS