LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 78TH LEGISLATIVE REGULAR SESSION

April 30, 2003

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

FROM: John Keel, Director, Legislative Budget Board

IN RE: **HB2956** by Jones, Elizabeth (Relating to a franchise tax credit for oil and gas producers that make financial contributions to institutions of higher education.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for HB2956, As Introduced: a negative impact of ($1,483,000) 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	($712,000)
2005	($771,000)
2006	($825,000)
2007	($850,000)
2008	($887,000)

All Funds, Five-Year Impact:

Fiscal Year	Probable Revenue Gain/(Loss) from *GENERAL REVENUE FUND* 1
2004	($712,000)
2005	($771,000)
2006	($825,000)
2007	($850,000)
2008	($887,000)

Fiscal Analysis

The bill would amend Chapter 171 of the Tax Code to allow a franchise tax credit for contributions by oil and gas producers to institutions of higher education.

Institutions of higher education would include accredited public or private institutions of higher education in this state. Eligible corporations would include corporations that (1) take gas or oil from the earth or water, (2) own, control, manage, or lease a gas well or an oil well, (3) own an interest, including a royalty interest, in gas or its value or in oil or its value.

The contribution must be (1) used for teaching or research at an institution of higher education, (2) used for an acquisition by a library or museum owned by an institution of higher education, (3) made to the endowment of an institution of higher education.

The credit would equal 50 percent of a corporation's qualifying expenditure of up to $100,000 and 100 percent of a corporation's qualifying expenditure exceeding $100,000. The amount of credit would be limited such that the total amount of all credits claimed by a corporation, including the credit that this bill would establish, would have to be less than or equal to $150,000. The corporation would not be able to carry forward unused credits or assign the credit to another corporation.

The bill would take effect immediately upon enactment, assuming that it received the requisite two-thirds majority votes in both houses of the Legislature. Otherwise, it would take effect September 1, 2003.

The credit would be applicable only to qualified expenditures made on or after the effective date and for franchise tax reports originally due on or after January 1, 2004.

Methodology

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

Comptroller staff used data from the State of Alaska on the corporate income tax liability and education credit for oil and gas companies. The estimate also uses the historical franchise tax liability for the oil and gas industry.

The fiscal impact estimated for 2004 does not depend on the effective date of the bill. If the effective date were September 1, 2003, rather than immediate effect, corporations desiring to use the credit would simply delay their contribution until after the later effective date.

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