

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 78TH LEGISLATIVE REGULAR SESSION

May 19, 2003

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

FROM: John Keel, Director, Legislative Budget Board

IN RE: SB1780 by Ogden (Relating to claiming a franchise tax credit for certain qualified capital investments.), **As Engrossed**

Estimated Two-year Net Impact to General Revenue Related Funds for SB1780, As Engrossed: 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 (Loss) from <i>GENERAL REVENUE FUND</i> 1
2004	\$0
2005	\$0
2006	(\$344,000)
2007	(\$753,000)
2008	(\$783,000)

Fiscal Analysis

The bill would amend Section 171.802 of the Tax Code, relating to the franchise tax credit for capital investment.

The bill would allow a corporation to claim 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.

This 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.

Methodology

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

Fourteen counties would meet the conditions specified in (2) and (4) above, i.e., the county was in the strategic investment area for calendar 2002 but was not in the strategic investment area for calendar 2003 and the county had a population less than 15,700. The counties that would meet the conditions are: Andrews, Coleman, Dawson, Dickens, Edwards, Gaines, Hall, Jim Hogg, Leon, Martin, Refugio, Runnels, Upton, and Yoakum.

Condition (5) would mean the corporation would have credit installments and carryforward from the prior investments. The estimate is based on a review of 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

No fiscal implication to units of local government is anticipated.

Source Agencies: 304 Comptroller of Public Accounts

LBB Staff: JK, SD, WP, CT