

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 78TH LEGISLATIVE REGULAR SESSION

May 4, 2003

TO: Honorable Teel Bivins, Chair, Senate Committee on Finance

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 Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for SB1780, As Introduced: a negative impact of (\$1,770,000) 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	(\$885,000)
2005	(\$885,000)
2006	(\$885,000)
2007	(\$885,000)
2008	(\$885,000)

All Funds, Five-Year Impact:

Fiscal Year	Probable Revenue Gain/(Loss) from <i>GENERAL REVENUE FUND</i> 1
2004	(\$885,000)
2005	(\$885,000)
2006	(\$885,000)
2007	(\$885,000)
2008	(\$885,000)

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 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, and (4) the county had a population of less than 15,400.

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.

Methodology

This estimate is based upon analyses provided by the Comptroller's Office.

Comptroller staff estimated that thirteen 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 15,400. The counties that would meet the conditions are: Andrews, Coleman, Dawson, Dickens, Edwards, Gaines, Hall, Jim Hogg, Martin, Refugio, Runnels, Upton, and Yoakum.

The Comptroller estimate assumes that there would be a taxpayer who would use the investment credit under the provisions of this bill. The estimate is based on data from the Comptroller's files regarding the investment credit taken by taxpayers who made an investment of at least \$100 million to establish a credit.

Local Government Impact

No significant 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