

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 79TH LEGISLATIVE REGULAR SESSION

April 6, 2005

TO: Honorable Jim Keffer, Chair, House Committee on Ways & Means

FROM: John S. O'Brien, Deputy Director, Legislative Budget Board

IN RE: HB1666 by Hopson (Relating to a tax credit for certain corporations obtaining coverage for their employees under a health benefit plan.), **As Introduced**

<p>Estimated Two-year Net Impact to General Revenue Related Funds for HB1666, As Introduced: a negative impact of (\$32,588,000) through the biennium ending August 31, 2007.</p>
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General Revenue-Related Funds, Five-Year Impact:

Fiscal Year	Probable Net Positive/(Negative) Impact to General Revenue Related Funds
2006	\$0
2007	(\$32,588,000)
2008	(\$34,638,000)
2009	(\$36,237,000)
2010	(\$37,862,000)

All Funds, Five-Year Impact:

Fiscal Year	Probable Revenue Gain/(Loss) from <i>GENERAL REVENUE FUND</i> 1
2006	\$0
2007	(\$32,588,000)
2008	(\$34,638,000)
2009	(\$36,237,000)
2010	(\$37,862,000)

Fiscal Analysis

The bill would amend Chapter 171 of the Tax Code to create a franchise tax credit for a corporation that obtains coverage for its employees under a health benefit plan under certain conditions.

The corporation would have to have gross receipts from its entire business equal to or less than \$750,000. The health benefit plan would have to provide creditable coverage as defined in Section 1205.004 of the Insurance Code. The credit would equal 10 percent of the cost to the corporation of obtaining the coverage under a health benefit plan. The credit would be limited to the amount of franchise tax due. The credit could be claimed only for an expenditure made during the accounting period for which the tax was owed. The credit could not be carried over to a subsequent period or transferred to another entity unless all of the assets of the corporation were transferred in the same transaction.

The Comptroller would adopt the rules necessary to implement the credit.

This bill would take effect on January 1, 2006 and would apply only to a tax report originally due on or after that date.

Methodology

This fiscal note is based upon an analysis made by the Comptroller's Office.

The estimated fiscal impact presumes the provisions of the bill would apply to costs incurred after the effective date of the bill. Information on the costs of coverage under a health plan and on the proportion of corporations providing coverage was obtained from federal sources. This information was combined with data from the Comptroller's tax files to estimate the amount of credits that corporations would claim.

There would be no fiscal impact in 2006 because qualified costs incurred after January 1, 2006 would be reported on franchise tax returns due in fiscal 2007.

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: JOB, SD, WP, CT