

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 79TH LEGISLATIVE REGULAR SESSION

April 18, 2005

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

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

IN RE: HB1743 by Seaman (Relating to strategic investment areas qualifying for the franchise tax credit for certain research and development activities.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for HB1743, As Introduced: a negative impact of (\$257,000) through the biennium ending August 31, 2007.

General Revenue-Related Funds, Five-Year Impact:

Fiscal Year	Probable Net Positive/(Negative) Impact to General Revenue Related Funds
2006	\$0
2007	(\$257,000)
2008	(\$291,000)
2009	(\$327,000)
2010	(\$359,000)

All Funds, Five-Year Impact:

Fiscal Year	Probable Revenue Gain/(Loss) from <i>GENERAL REVENUE FUND</i> 1
2006	\$0
2007	(\$257,000)
2008	(\$291,000)
2009	(\$327,000)
2010	(\$359,000)

Fiscal Analysis

The bill would amend Section 171.721(2) of the Tax Code to include a federally designated renewal community in the state's strategic investment area.

Under current law, federally designated urban enterprise communities and urban enhanced enterprise communities are included in the state's strategic investment area. The bill would add federally designated renewal communities. A business within the strategic investment area could qualify for franchise tax credits for job creation and capital investment and for an increased credit for research and development activities.

The bill would require the Comptroller to include federally designated renewal communities in the determination of the state's strategic investment area that must be published by October 1, 2005.

Methodology

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

Comptroller staff contacted the U.S. Department of Housing and Urban Development to determine the federally designated renewal communities in Texas. Two were found: Corpus Christi Renewal Community in Nueces County and El Paso County Renewal Community in El Paso County. A renewal community in a county included in the strategic investment area would be eligible for the franchise tax credits without this bill. That is the case for the El Paso County Renewal Community.

The estimated fiscal impact was determined by examining job creation and capital investment credit activity in counties that have a federally designated community in the strategic investment area, but the entire county is not included in the strategic investment area. The credit activity found in these areas was extrapolated to include the renewal communities that the bill would bring into the strategic investment area.

There would be no fiscal impact in 2006 because the job creation and capital investment done during calendar 2006 would be reported in fiscal 2007.

Local Government Impact

Local government sales and property tax revenues could increase as a result of economic development activities induced by the franchise tax credit program.

Source Agencies: 304 Comptroller of Public Accounts, 307 Secretary of State

LBB Staff: JOB, SD, WP, CT