

**LEGISLATIVE BUDGET BOARD**  
**Austin, Texas**

**FISCAL NOTE, 79TH LEGISLATIVE REGULAR SESSION**

**May 6, 2005**

**TO:** Honorable Allan Ritter, Chair, House Committee on Economic Development

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

**IN RE: HB3249** by Ritter ( relating to the enterprise zone program.), **Committee Report 1st House, Substituted**

<b>Estimated Two-year Net Impact to General Revenue Related Funds</b> for HB3249, Committee Report 1st House, Substituted: a positive impact of \$622,000 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	\$622,000
2008	\$1,400,000
2009	\$2,344,000
2010	\$2,566,000

**All Funds, Five-Year Impact:**

Fiscal Year	Probable Revenue Gain/(Loss) from <i>GENERAL REVENUE FUND</i> 1
2006	\$0
2007	\$622,000
2008	\$1,400,000
2009	\$2,344,000
2010	\$2,566,000

**Fiscal Analysis**

The bill would amend the Government Code and the Tax Code relating to tax benefits for enterprise projects.

The bill would reduce the time for a person to claim a tax benefit for an enterprise project to six months from 18 months after the expiration of the project's designation. The bill would amend the Government Code to state that an enterprise project would be entitled to a franchise tax credit for job creation or capital investment.

The bill would amend the Government Code to give the Comptroller, rather than the Economic Development Bank, responsibility for determining a business' entitlement to a tax refund or credit. The bill would make the Comptroller responsible for verification of certain activities of an enterprise project; and it would require the qualified business to submit a certified report to the Comptroller, rather than to the Economic Development Bank.

The bill would amend Chapter 151 of the Tax Code to make an enterprise project eligible for a sales tax refund on purchases of all taxable items.

The bill would amend Chapter 171 of the Tax Code to change the definition of the "strategic investment area" for franchise tax credits. Under current law, federally designated urban enterprise communities and urban enhanced enterprise communities are included in the strategic investment area. The bill would delete those areas and add federally designated empowerment zones and renewal communities.

### **Methodology**

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

The changes to the Government Code and Chapter 151 of the Tax Code would have no significant fiscal impact.

The change to Chapter 171 of the Tax Code would reduce the amount of franchise tax credits earned for capital investment and job creation, because the areas added would be less populous than the areas deleted. The estimated fiscal impact was based on data on the utilization of franchise tax credits.

### **Local Government Impact**

No significant fiscal implication to units of local government is anticipated.

**Source Agencies:** 300 Truusted Programs Within the Office of the Governor, 304 Comptroller of Public Accounts

**LBB Staff:** JOB, JRO, WP, CT