

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 79TH LEGISLATIVE REGULAR SESSION

April 12, 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.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for HB3249, As Introduced: a negative impact of (\$9,059,000) 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	(\$1,952,000)
2007	(\$7,107,000)
2008	(\$7,107,000)
2009	(\$7,107,000)
2010	(\$7,107,000)

All Funds, Five-Year Impact:

Fiscal Year	Probable Revenue Gain/(Loss) from <i>GENERAL REVENUE FUND</i> 1
2006	(\$1,952,000)
2007	(\$7,107,000)
2008	(\$7,107,000)
2009	(\$7,107,000)
2010	(\$7,107,000)

Fiscal Analysis

The bill relates to the enterprise zone program, revising the definition of a qualified employee, increasing the number of project designations from 85 to 100 during any biennium and revising downward, the minimum capital investment thresholds for receiving the maximum state tax refund within each range of capital investments.

The bill would amend Section 2303.504 of the Government Code by adding franchise tax credits to the benefits to which an enterprise project was entitled.

The bill would amend Sections 151.429(a) and (b) of the Tax Code regarding the refund of sales tax to an enterprise project. The bill would add to the list of items qualifying for the refund: 1) tangible personal property purchased and consumed in the normal course of business, and 2) taxable services. The bill would make the same changes to the investment limits for tax refunds that it would make in the Government Code.

The bill would amend Chapter 171 of the Tax Code to permit a business designated as an enterprise

project to use jobs creation and capital investment tax credits. Former provisions in Chapter 171 providing for such use expired on January 1, 2005.

Methodology

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

The Comptroller estimate is based on information regarding enterprise projects that would be eligible for the sales and franchise tax benefits provided by the bill and on Comptroller records regarding the use of sales tax refunds and franchise tax credits.

Local Government Impact

Local government revenues would increase to the extent that the state tax credits and/or refunds induced local economic development.

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

LBB Staff: JOB, JRO, WP, CT