

LEGISLATIVE BUDGET BOARD  
Austin, Texas

FISCAL NOTE, 79TH LEGISLATIVE REGULAR SESSION

May 2, 2005

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

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

**IN RE: HB3282** by McCall (Relating to a tax credit for donations of money or art to art museums, galleries, or collections that are open to the public.), **Committee Report 1st House, Substituted**

**Estimated Two-year Net Impact to General Revenue Related Funds** for HB3282, Committee Report 1st House, Substituted: a negative impact of (\$11,800,000) 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	(\$11,800,000)
2008	(\$11,800,000)
2009	(\$11,800,000)
2010	(\$11,800,000)

All Funds, Five-Year Impact:

Fiscal Year	Probable Revenue Gain/(Loss) from <i>GENERAL REVENUE FUND</i> 1
2006	\$0
2007	(\$11,800,000)
2008	(\$11,800,000)
2009	(\$11,800,000)
2010	(\$11,800,000)

Fiscal Analysis

The bill would allow a corporation that donated works of arts to a Texas museum open to the public and desirous of taking the works into its permanent collection to take a Texas franchise tax credit equal to the total appraised value of the works. The credit claimed could not exceed the amount of tax due, before other any other applicable credits, nor could the credit be carried-forward to be used against future liability.

The effective date of the bill would be January 1, 2006.

Methodology

The bill is assumed to affect Texas franchise tax collections in fiscal year 2007.

The latest available Internal Revenue Service data (tax year 2001) indicates that U.S. corporations claimed total charitable contributions of \$15.753 billion. This total would include monetary and non-monetary contributions of many types: medical research, education, art, etc.

To estimate the fiscal impact of this bill, the Texas corporate contributions in 2001 were assumed to be equal to the ratio of estimated Texas gross state product to the U.S. gross domestic product, or 7.5 percent, an estimated amount of \$1.181 billion.

An assumption that one percent of the \$1.181 billion Texas charitable contributions being works of art would result in estimated annual franchise tax credits and annual losses to General Revenue amounting to \$11.8 million.

### **Local Government Impact**

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

**Source Agencies:** 304 Comptroller of Public Accounts

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