

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: HB3282 by McCall (Relating to a tax credit for corporations that donate money or art to art museums, galleries, or collections that are open to the public.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for HB3282, As Introduced: a negative impact of (\$371,359,800) 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	(\$178,814,300)
2007	(\$192,545,500)
2008	(\$204,655,900)
2009	(\$214,102,600)
2010	(\$223,707,100)

All Funds, Five-Year Impact:

Fiscal Year	Probable Revenue Gain/(Loss) from GENERAL REVENUE FUND 1
2006	(\$178,814,300)
2007	(\$192,545,500)
2008	(\$204,655,900)
2009	(\$214,102,600)
2010	(\$223,707,100)

Fiscal Analysis

The bill would amend Chapter 171 of the Tax Code to create a franchise tax credit for corporations that donate money or works of art to an art museum, gallery, or collection that is open to the public.

The credit would be equal to the total amount of money donated and the appraised value of each work of art donated during the privilege period, limited to the amount of tax due for the privilege period.

The credit could only be used for the period in which the donations were made and could not be conveyed or transferred to another entity.

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

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

Methodology

The bill would allow a corporation with a Texas franchise tax liability to zero out their liability, if the corporation donated money or works of art to a museum, gallery, or collection that is open to the public and if the donations were valued equal to their liability. The corporation would reasonably do so to benefit their U.S. corporate income tax liability and to gain public good will as generous benefactors to artistic endeavors.

For the purpose of this note, the assumption was made that corporations would take credits equal to 10 percent of annual franchise tax liabilities.

Local Government Impact

No fiscal implication to units of local government is anticipated.

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

LBB Staff: JOB, SD, WP, CT