

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 79TH LEGISLATIVE REGULAR SESSION

April 18, 2005

TO: Honorable John Carona, Chair, Senate Committee on S/C on Emerging Technologies & Economic Dev.

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

IN RE: SB1254 by Brimer (Relating to extending the terms and conditions under which an enterprise project may continue to receive franchise tax credit for job creation and capital investment.),
As Introduced

Estimated Two-year Net Impact to General Revenue Related Funds for SB1254, As Introduced: a negative impact of (\$11,720,000) 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	(\$5,860,000)
2007	(\$5,860,000)
2008	(\$5,860,000)
2009	(\$5,860,000)
2010	(\$5,860,000)

All Funds, Five-Year Impact:

Fiscal Year	Probable Revenue Gain/(Loss) from GENERAL REVENUE FUND 1
2006	(\$5,860,000)
2007	(\$5,860,000)
2008	(\$5,860,000)
2009	(\$5,860,000)
2010	(\$5,860,000)

Fiscal Analysis

The bill would amend Chapter 171 of the Tax Code and Chapter 2303 of the Government Code to provide certain corporations access to franchise tax credits for jobs creation and capital investments beyond January 1, 2005.

For the job creation credit, the bill would define a "qualified business" to include one that had been designated as an enterprise project under Chapter 2303, Government Code, without regard to whether the enterprise project were located in an enterprise zone.

Section 171.7515, which expired January 1, 2005, defined a "qualified business" to include a corporation that has been designated as an enterprise project. The bill would define "qualified job" to include one located in an enterprise project. Provisions in Section 171.751(9)(A)(iii), which also expired January 1, 2005, defined "qualified job" in a similar way.

The bill would continue Section 171.7541, which expired January 1, 2005, with one change. The bill would remove the requirement that a jobs creation credit be claimed on a report due before January 1, 2005.

For the capital investment credit, the bill would include investment first placed in service in an enterprise project regardless of whether the enterprise project were located in an enterprise zone. This provision would continue beyond January 1, 2005

The bill would remove the January 1, 2005 expiration of a provision allowing designated enterprise or defense readjustment projects to qualify for the investment credit regardless of some other qualifications prescribed in the Tax Code.

The bill would remove the January 1, 2005, expiration of a provision on the calculation of the investment credit for an enterprise or defense readjustment project. The bill would allow a corporation designated as an enterprise project or defense readjustment project to claim the entire credit earned on a report due on or after September 1, 2003. This provision is similar to one that expired on January 1, 2005.

The bill would amend Government Code Section 2303.504, as effective until September 1, 2005, by removing the September 1, 2005 expiration date. This section provides that an enterprise project is entitled to sales tax refunds and franchise tax credits under Tax Code Chapters 151 and 171.

The bill would strike the text of Government Code Section 2303.504, as effective on and after September 1, 2005. The text the bill would remove does not include a reference to franchise tax credits under Chapter 171, Tax Code.

The bill would apply to any enterprise project whose designation was in effect on or after the effective date of the act.

Note: This bill would take effect January 1, 2005.

Methodology

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

The estimated fiscal impact is based on Comptroller information regarding enterprise projects designated since September 1, 2001 and upon Comptroller records regarding application of investment and jobs credits.

Local Government Impact

Local government revenues could rise as a result of the economic development activities effected by the franchise tax credit provisions of this bill.

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

LBB Staff: JOB, JRO, WP, CT