

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 80TH LEGISLATIVE REGULAR SESSION

April 2, 2007

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

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

IN RE: HB156 by Pickett (Relating to the determination of a taxable entity's total revenue for purposes of the revised franchise tax.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for HB156, As Introduced: an impact of \$0 through the biennium ending August 31, 2009.

General Revenue-Related Funds, Five-Year Impact:

Fiscal Year	Probable Net Positive/(Negative) Impact to General Revenue Related Funds
2008	\$0
2009	\$0
2010	\$0
2011	\$0
2012	\$0

All Funds, Five-Year Impact:

Fiscal Year	Probable Revenue Gain/(Loss) from <i>Property Tax Relief Fund</i> 304
2008	(\$97,180,000)
2009	(\$99,845,000)
2010	(\$105,640,000)
2011	(\$111,770,000)
2012	(\$117,245,000)

Fiscal Analysis

The bill would amend Chapter 171 of the Tax Code, relating to the determination of a taxable entity's total revenue for the purposes of the revised franchise tax.

Under Section 171.1011(g), effective January 1, 2008, certain flow-through funds mandated by contract to be distributed to other entities may be excluded from a taxable entity's total revenue.

The currently permitted exclusions include: sales commissions to nonemployees; the tax basis of securities underwritten; and subcontracting payments related to work on improvements to real property or to the location of the boundaries of real property. This bill would delete the list of specific exclusions and provide for the exclusion of all flow-through funds that are mandated by contract to be distributed to other entities.

The bill would repeal Section 171.1011(l), Tax Code, which defines "sales commission" and "principal."

The bill would take effect January 1, 2008

Methodology

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

Comptroller staff used Internal Revenue Service data to determine the sectors affected by the proposed changes. The sum of the sectoral changes were used to estimate the potential fiscal impact of the bill.

The General Revenue Fund will be obliged to compensate that the portion of property tax relief not funded by the revenues in the Property Tax Relief Fund.

Local Government Impact

No fiscal implication to units of local government is anticipated.

Source Agencies: 304 Comptroller of Public Accounts

LBB Staff: JOB, CT, SD, SM