

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: HB355 by Herrero (Relating to a franchise tax credit for wages paid to graduates of certain institutions of higher education.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for HB355, 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	\$0
2009	(\$167,573,000)
2010	(\$220,331,000)
2011	(\$231,067,000)
2012	(\$247,516,000)

Fiscal Analysis

The bill would amend Chapter 171 of the Tax Code to create a franchise tax credit for wages paid to graduates of certain institutions of higher education.

A taxpayer would qualify for the credit for certain employees who were graduates of a public or private institution of higher education at the time the employees were hired or for employees who graduated from such institutions during the time the employees were employed with the corporation.

To qualify for the credit, the employee would have had to attended a campus of the public or private institution of higher education located in the same county as the county in which the employee performed the employee's primary job functions. The credit would equal 10 percent of the wages. The credit could be claimed only for wages paid during the accounting period for which the tax was owed.

The bill would require the Comptroller to promulgate a form for the application for the credit.

The bill would take effect on January 1, 2008 and apply only to wages paid on or after that date and reported on a tax report originally due on or after that date.

Methodology

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

The estimated fiscal impact was based on data from the Texas Workforce Commission, the Comptroller's tax files, and the U. S. Census Bureau.

There would be no fiscal impact in 2008 because only wages paid on after January 1, 2008, could count toward earning credit. There would be a reduced fiscal impact in 2009 because non-calendar year taxpayers would have less than a full year of eligible wages during their accounting year ending in 2008.

Because the bill does not specify the state fund that would be affected, this estimate assumes the fiscal impact would apply to the Property Tax Relief Fund 0304 rather than the General Revenue Fund 0001. The General Revenue Fund will have to make up 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