

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 80TH LEGISLATIVE REGULAR SESSION

March 27, 2007

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

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

IN RE: HB871 by Smithee (Relating to the total revenue exemption for the franchise tax.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for HB871, 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	(\$190,949,000)
2009	(\$196,184,000)
2010	(\$207,571,000)
2011	(\$219,615,000)
2012	(\$230,376,000)

Fiscal Analysis

The bill would amend Chapter 171 of the Tax Code, relating to the franchise tax, to increase the amount of total revenue a taxable entity could have during a reporting period and owe no tax for that period.

The current amount is \$300,000 in total revenue. The bill would increase the amount to \$1 million in total revenue.

The bill would take effect January 1, 2008 and apply to reports due on or after that date.

Methodology

This estimate from the Comptroller's Office is based on information from the Internal Revenue Service on total receipts received by corporations and partnerships categorized by receipts size.

Because the bill does not specify the state fund to be affected, this estimate assumes that the fiscal impact would occur in 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 significant fiscal implication to units of local government is anticipated.

Source Agencies: 304 Comptroller of Public Accounts

LBB Staff: JOB, CT, SD, SM