

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: HB1384 by Taylor (Relating to franchise tax rates.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for HB1384, 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	(\$2,942,486,000)
2009	(\$3,023,149,000)
2010	(\$3,198,621,000)
2011	(\$3,384,210,000)
2012	(\$3,550,037,000)

Fiscal Analysis

The bill would amend Chapter 171 of the Tax Code to reduce the franchise tax rates applied to taxable margin.

The tax rate for entities primarily engaged in wholesale or retail trade would be reduced to 0.25 percent from 0.5 percent. The tax rate for other taxable entities would be reduced to 0.5 percent from 1.0 percent.

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

Methodology

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

The estimate is based on information from the Internal Revenue Service on total receipts, cost of goods sold, and compensation payments made by corporations and partnerships. The estimate takes

into account the provisions of Chapter 171 relating to an exemption from tax for a taxable entity with liability under \$1,000.

Note: HB 2, 79th Legislature, Third Called Session (2006) dedicates to the Property Tax Relief Fund 0304 all revenues collected under Chapter 171 in excess of the amount that would have been collected under the chapter as it existed on August 31, 2007. The fiscal impact table reflects that dedication. The General Revenue Fund will be obliged to compensate for 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