

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: HB2057 by Bonnen (Relating to state tax exemptions.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for HB2057, As Introduced: a positive impact of \$279,099,000 through the biennium ending August 31, 2009, if the effective date of the bill is July 1, 2007; or a positive impact of \$247,075,000 through the biennium ending August 31, 2009, if the effective date of the bill is October 1, 2007.

The table below assumes an effective date of July 1, 2007 for the sales tax provisions and an effective date of January 1, 2008 for the franchise tax provisions.

All Funds, Six-Year Impact:

Fiscal Year	Probable Revenue Gain/(Loss) from <i>GENERAL REVENUE FUND 1</i>	Probable Revenue Gain/(Loss) from <i>Cities</i>	Probable Revenue Gain/(Loss) from <i>Transit Authorities</i>	Probable Revenue Gain/(Loss) from <i>Counties</i>
2007	\$10,256,000	\$0	\$0	\$0
2008	\$130,605,000	\$25,079,000	\$8,604,000	\$3,236,000
2009	\$138,238,000	\$26,544,000	\$9,107,000	\$3,426,000
2010	\$146,612,000	\$28,152,000	\$9,659,000	\$3,633,000
2011	\$155,653,000	\$29,888,000	\$10,254,000	\$3,857,000
2012	\$165,476,000	\$31,775,000	\$10,902,000	\$4,100,000

Fiscal Year	Probable Revenue Gain/(Loss) from <i>Property Tax Relief Fund 304</i>
2007	\$0
2008	(\$113,020,000)
2009	(\$116,119,000)
2010	(\$122,858,000)
2011	(\$129,987,000)
2012	(\$136,356,000)

The table below assumes an effective date of October 1, 2007 for the sales tax provisions and an effective date of January 1, 2008 for the franchise tax provisions.

Fiscal Year	Probable Revenue Gain/(Loss) from GENERAL REVENUE FUND 1	Probable Revenue Gain/(Loss) from Cities	Probable Revenue Gain/(Loss) from Transit Authorities	Probable Revenue Gain/(Loss) from Counties
2008	\$108,837,000	\$18,809,000	\$6,453,000	\$2,427,000
2009	\$138,238,000	\$26,544,000	\$9,107,000	\$3,426,000
2010	\$146,612,000	\$28,152,000	\$9,659,000	\$3,633,000
2011	\$155,653,000	\$29,888,000	\$10,254,000	\$3,857,000
2012	\$165,476,000	\$31,775,000	\$10,902,000	\$4,100,000

Fiscal Year	Probable Revenue Gain/(Loss) from Property Tax Relief Fund 304
2008	(\$113,020,000)
2009	(\$116,119,000)
2010	(\$122,858,000)
2011	(\$129,987,000)
2012	(\$136,356,000)

Fiscal Analysis

The bill would amend Chapter 151 of the Tax Code to eliminate the sales tax exception for the repair, maintenance, creation, and restoration of computer programs from the definition of "taxable services." Under the provisions of the bill, these services would now be subject to taxation.

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 nontaxable amount would increase from \$300,000 to \$750,000 in total revenue.

The sales tax provisions would take effect July 1, 2007 if it receives two-thirds majority votes in each house; otherwise, it would take effect October 1, 2007. The franchise tax provisions would take effect January 1, 2008 and apply to reports due on or after that date.

Methodology

The estimate of the fiscal impact of the sales tax provisions to the General Revenue Fund 0001 provided by the Comptroller of Public Accounts is based on data on the Texas sale of custom computer programming services gathered from the U.S. Census Bureau. For the purpose of this analysis, the Comptroller multiplied the data by the state sales tax rate, adjusted for the potential effective dates of July 1, 2007 and October 1, 2007, and extrapolated through fiscal 2012. The fiscal impact of the sales tax provisions on units of local government were estimated proportionally.

The estimate of the fiscal impact of the franchise tax provisions 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

The fiscal impact of the sales tax provisions to local government is illustrated in the above tables.

Source Agencies: 304 Comptroller of Public Accounts

LBB Staff: JOB, CT, SD, EB