

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 80TH LEGISLATIVE REGULAR SESSION

April 3, 2007

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

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

IN RE: HB2533 by Strama (Relating to the computation of taxable margin for purposes of the revised franchise tax by certain taxable entities.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for HB2533, 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	(\$40,556,000)
2009	(\$41,668,000)
2010	(\$44,084,000)
2011	(\$46,644,000)
2012	(\$48,928,000)

Fiscal Analysis

The bill would amend Chapter 171 of the Tax Code relating to the determination of wages and cash compensation under the franchise tax.

The bill would allow a taxable entity electing to deduct compensation from total revenue to include in deductible wages and cash compensation the compensation paid to an independent contractor as reported on Internal Revenue Service Form 1099. To qualify for the deduction, the total revenue of the taxable entity from its entire business would have to be less than or equal to \$2 million.

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

Methodology

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

This estimate was based on data from the Internal Revenue Service on payments made on form 1099 MISC to Texas addresses and information on businesses with total gross receipts between \$300,000 and \$2,000,000.

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