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: **HB2777** by Heflin (Relating to a tax credit for certain corporations obtaining coverage for their employees under a health benefit plan.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for HB2777, 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 *Property Tax Relief Fund* 304
2008	$0
2009	($33,334,000)
2010	($35,269,000)
2011	($37,315,000)
2012	($39,144,000)

Fiscal Analysis

The bill would amend Chapter 171 of the Tax Code to create a franchise tax credit for a corporation that obtains coverage for its employees under a health benefit plan under certain conditions.

Under the bill, the corporation would have to have gross receipts from its entire business equal to or less than $750,000. The health benefit plan would have to provide creditable coverage as defined in Section 1205.004 of the Insurance Code. The credit would equal 10 percent of the cost to the corporation of obtaining the coverage under a health benefit plan.

The credit would be limited to the amount of franchise tax due, and it could be claimed only for an expenditure made during the accounting period for which the tax was owed. The credit could not be carried over to a subsequent period or transferred to another entity, unless all of the assets of the corporation were transferred in the same transaction.

The Comptroller would adopt the rules necessary to implement the credit.

Note: The bill states it would take effect January 1, 2006 and that it would apply only to a tax report originally due on or after that date. For the purposes of this note, it was assumed that the effective date would be January 1, 2008

Methodology

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

The estimated fiscal impact presumes the provisions of the bill would apply to costs incurred after the January 1, 2008. Information on the costs of coverage under a health plan and on the proportion of corporations providing coverage were obtained from federal sources. This information was combined with data from the Comptroller's tax files and estimates for the franchise tax, based on margin to estimate the amount of credits that corporations would claim.

There would be no fiscal impact in 2008 because qualified costs incurred after January 1, 2008 would be reported on franchise tax returns due in fiscal 2009.

Note: House Bill 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