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: **HB2948** by Hill (Relating to the temporary credit for business losses under the franchise tax.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for HB2948, 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	($76,250,000)
2009	($76,250,000)
2010	($76,250,000)
2011	($76,250,000)
2012	($76,250,000)

Fiscal Analysis

The bill would amend Chapter 171.111 of the Tax Code by altering the Temporary Credit on Taxable Margin relating to the franchise tax.

The bill would allow a taxable entity to elect to claim the credit on the first franchise tax report due on or after January 1, 2008. The bill would reduce the number of privilege periods over which a taxable entity could claim the credit from 20 to 10.

The bill would specify the calculation of a taxable entity's available credit by reference to the amount of business loss carryforwards of the taxable entity that were not exhausted on a report due before January 1, 2008. The amount of credit available on a franchise tax report would be the business loss carryforwards multiplied by 10 percent and then multiplied by 4.5 percent.

The bill would restrict the availability of the credit to a taxable entity who was either subject to the franchise tax on May 1, 2006, or a combined group with a member who was subject to the franchise tax on that data. In the latter case, the credit would be computed on the information of that member of the group.

The bill would take effect January 1, 2008, and would it apply to a report due on or after that date. The bill would accelerate the expiration of the temporary credit to September 1, 2017, from September 1, 2026.

Methodology

The estimate is based on data in the Comptroller's tax files on business loss carryforwards and the estimate of the tax liability to be generated by the margin tax.

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