

**LEGISLATIVE BUDGET BOARD**  
**Austin, Texas**

**FISCAL NOTE, 81ST LEGISLATIVE REGULAR SESSION**

**April 15, 2009**

**TO:** Honorable Rene Oliveira, Chair, House Committee on Ways & Means

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

**IN RE: HB277** by Zerwas (Relating to the franchise tax and alternative revenue sources and spending priorities for this state.), **As Introduced**

**The bill will have a direct impact of a revenue loss to the Property Tax Relief Fund of \$105,125,000 for the 2010-11 biennium. Any loss to the Property Tax Relief Fund will have to be made up with General Revenue of the same amount to fund property tax relief.**

**General Revenue-Related Funds, Five-Year Impact:**

Fiscal Year	Probable Net Positive/(Negative) Impact to General Revenue Related Funds
2010	\$0
2011	\$0
2012	\$0
2013	\$0
2014	(\$3,025,848,000)

**All Funds, Five-Year Impact:**

Fiscal Year	Probable Revenue Gain/(Loss) from <i>General Revenue Fund</i> 1	Probable Revenue Gain/(Loss) from <i>Property Tax Relief Fund</i> 304
2010	\$0	(\$18,000,000)
2011	\$0	(\$87,125,000)
2012	\$0	(\$90,174,000)
2013	\$0	(\$93,781,000)
2014	(\$3,025,848,000)	(\$2,006,468,000)

**Fiscal Analysis**

The bill would amend Chapter 171 of the Tax Code, relating to the amount of total revenue an entity subject to the franchise tax may have for a period and owe no tax. The current amount is \$300,000. This bill would raise the amount to \$600,000 effective January 1, 2010, and to \$1,000,000 effective January 1, 2011.

The bill would require the Comptroller's Office to conduct a comprehensive study that (1) analyzes and compares revenue alternatives to the franchise tax; (2) prioritizes the revenue needs of this state; and (3) identifies potential reductions in state expenditures. The Comptroller would be required to submit a report with the results from the study to the Legislature not later than November 1, 2010, to include specifying one or more revenue alternatives that would effectively meet the state's revenue needs, specific state expenditure reductions, and legislation needed to implement those revenue and expenditure proposals.

The bill would repeal Chapter 171 (franchise tax) of the Tax Code on January 1, 2014.

The bill would take effect September 1, 2009.

### **Methodology**

Data from the Comptroller's Office tax files were used to estimate the fiscal impact of raising the total revenue threshold for no-tax-due amounts for 2010 and 2011. The fiscal impact shown in 2014 reflects the repeal of Chapter 171 of the Tax Code. The fiscal impact of the required study and any potential revenue alternatives that might be enacted cannot be determined.

### **Local Government Impact**

No fiscal implication to units of local government is anticipated.

**Source Agencies:** 304 Comptroller of Public Accounts

**LBB Staff:** JOB, MN, SD, SM