LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 81ST LEGISLATIVE REGULAR SESSION

May 3, 2009

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

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

IN RE: **HB1122** by Bolton (Relating to the amount of the franchise tax incentive for certain small employers that provide health care benefits to employees.), **As Introduced**

The bill will have a direct impact of a revenue loss to the Property Tax Relief Fund of $175,000 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	$0

All Funds, Five-Year Impact:

Fiscal Year	Probable Revenue Gain/(Loss) from *Property Tax Relief Fund* 304
2010	$0
2011	($175,000)
2012	($290,000)
2013	($350,000)
2014	($366,000)

Fiscal Analysis

The bill would amend Chapter 171 of the Tax Code, regarding the franchise tax, by increasing the amount of compensation certain taxable entities could subtract from total revenue for calculating taxable margin.

The bill would amend Section 171.1013(b-1), which allows some taxable entities that are small employers to subtract extra amounts for health care benefits provided to employees. To qualify, the small employer must have not provided health care benefits to any of its employees in the calendar year preceding the beginning date of the tax reporting period. If the qualified small employer begins coverage for all its employees during the reporting period, an additional subtraction of 25 percent of the cost health care benefits would be allowed in the first year and an additional subtraction of 25 percent in the second year of coverage. This bill would increase the percentages for the first and second year to 75 percent and 50 percent, respectively. The bill would also add a third year of additional subtraction with the percentage set at 25 percent.

The bill would take effect January 1, 2010, and apply to franchise tax reports due on or after that date.

Methodology

The estimate is based on data from the Comptroller's franchise tax files on the subtraction of employee benefits by taxable entities and data on the proportion of small employers that provide health benefits for employees.

There would be no fiscal impact in 2010 since the first year a qualified taxable entity could incur health care benefit costs affected by this bill would be calendar 2010. Those costs would be reported on a tax report due in fiscal 2011.

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