

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: HB1667 by Edwards (Relating to the computation and rates of the franchise tax.), **As Introduced**

The bill will have a direct impact of a revenue loss to the Property Tax Relief Fund of \$2,418,217,000 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 <i>Property Tax Relief Fund</i> 304
2010	(\$1,194,177,000)
2011	(\$1,224,040,000)
2012	(\$1,266,893,000)
2013	(\$1,317,583,000)
2014	(\$1,370,300,000)

Fiscal Analysis

The bill would amend Chapter 171 of the Tax Code, regarding the franchise tax.

The bill would change the total revenue exemption amount for the tax from \$300,000 or less to \$1,000,000 or less. The bill would also change the tax rate for a taxable entity not primarily engaged in wholesale or retail trade from one percent to 0.75 percent and for a taxable entity primarily engaged in wholesale or retail trade from 0.5 percent to 0.375 percent.

The bill would repeal Sections 171.0021 and 171.1016(d) of the Tax Code. Those sections deal with discounts from tax owed that are available to taxable entities with total revenue of \$900,000 or less. The change in the exemption amount proposed in the bill would render those sections without impact in the calculation of franchise tax liability.

The bill would take effect January 1, 2010, and apply to a report originally due on or after that date.

Methodology

The estimated fiscal impact of the bill is based on data reported on the 2008 franchise tax reports.

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