

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 81ST LEGISLATIVE REGULAR SESSION

April 19, 2009

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

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

IN RE: HB1999 by McCall (Relating to the exclusion of certain amounts from the total revenue of certain taxable entities for purposes of the franchise tax.), **As Introduced**

The bill will have a direct impact of a revenue loss to the Property Tax Relief Fund of \$6,986,000 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	(\$3,450,000)
2011	(\$3,536,000)
2012	(\$3,660,000)
2013	(\$3,806,000)
2014	(\$3,959,000)

Fiscal Analysis

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

The bill would provide exclusions from total revenue for certain taxable entities. The bill would define "hotel" and "operating costs of a hotel." The bill would allow a taxable entity that is a real estate investment trust (REIT) to exclude from total revenue the operating costs of a hotel that occupies real estate in which the REIT has a direct holding. Under current law such costs would normally be included in total revenue of such a taxable entity.

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

Methodology

The estimated fiscal impact is based on data on hotel REITs and Comptroller's tax files.

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