

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 81ST LEGISLATIVE REGULAR SESSION

May 8, 2009

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

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

IN RE: HB2593 by Thompson (Relating to the application of the franchise tax to certain S corporations.), **Committee Report 1st House, Substituted**

The bill will have a direct impact of a revenue loss to the Property Tax Relief Fund of \$729,000 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	(\$360,000)
2011	(\$369,000)
2012	(\$381,000)
2013	(\$397,000)
2014	(\$413,000)

Fiscal Analysis

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

The bill would add to the list of entities that are not taxable entities an S corporation as defined by the Internal Revenue Code that is owned entirely by an employee stock ownership plan (ESOP) as defined by the Internal Revenue Code.

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

Methodology

The estimated fiscal impact is based on information from the ESOP Association, the Internal Revenue

Service, and on data from the Comptroller's franchise 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