

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: HB2944 by Harper-Brown (Relating to the franchise tax rates.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for HB2944, As Introduced: a negative impact of (\$1,056,267,000) through the biennium ending August 31, 2011.

The bill will also have a direct impact of a revenue loss to the Property Tax Relief Fund of \$3,615,872,000 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 | (\$518,807,000) |
| 2011 | (\$537,460,000) |
| 2012 | (\$601,001,000) |
| 2013 | (\$630,411,000) |
| 2014 | (\$641,033,000) |

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 | (\$518,807,000) | (\$1,788,414,000) |
| 2011 | (\$537,460,000) | (\$1,827,458,000) |
| 2012 | (\$601,001,000) | (\$1,846,713,000) |
| 2013 | (\$630,411,000) | (\$1,915,238,000) |
| 2014 | (\$641,033,000) | (\$2,006,468,000) |

Fiscal Analysis

The bill would amend Chapter 171 of the Tax Code, regarding the franchise tax, by changing the tax rates applicable to taxable entities' taxable margin. The rate for taxable entities primarily engaged in retail or wholesale trade would be reduced to 0.25 percent from 0.5 percent. The tax rate for other taxable entities would be reduced to 0.5 percent from 1 percent.

The bill would take effect January 1, 2010.

Methodology

The estimated fiscal impact of the bill was 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