

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 81ST LEGISLATIVE REGULAR SESSION

May 5, 2009

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

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

IN RE: HB3131 by Hartnett (Relating to the exclusion of certain payments from the total revenue of a qualified destination management company for purposes of the franchise tax.), **Committee Report 1st House, Substituted**

No significant fiscal implication to the State is anticipated.

The bill would amend Chapter 171 of the Tax Code, regarding the franchise tax, to provide certain taxable entities an exclusion from total revenue.

Under the bill, a taxable entity that is a qualified destination management company would exclude from its total revenue the payments made to other persons to provide services, labor, or materials in connection with the provision of destination management services.

The bill would define "destination management services" and "qualified destination management company." The latter would require the entity to meet 10 requirements listed in the bill, to include receiving at least 80 percent of its annual total revenue from providing or arranging at least four of the destination management services defined in the bill. It would also require the entity have at least three full-time employees; spend at least one percent of its annual gross receipts to market the destinations with respect to which destination management services are provided; have at least 80 percent of the clients for the entity's destination services located outside this state; not own equipment or a venue for the provision of destination services; is not doing business as a caterer; does not provide services for weddings; and is not a subsidiary of another entity doing business as a caterer or owning or operating a venue.

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

The estimated fiscal impact is based on information describing and lists of destination management companies and on information in the Comptroller's franchise tax data bases.

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