

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 81ST LEGISLATIVE REGULAR SESSION

April 14, 2009

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

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

IN RE: HB3189 by McCall (Relating to the exclusion of certain commercial lease revenue in determining a taxable entity's total revenue for purposes of the revised franchise tax.), **As Introduced**

The bill will have a direct impact of a revenue loss to the Property Tax Relief Fund of \$63,053,000 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	(\$31,137,000)
2011	(\$31,916,000)
2012	(\$33,033,000)
2013	(\$34,355,000)
2014	(\$35,729,000)

Fiscal Analysis

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

Taxable entities who are landlords of commercial real property would exclude from total revenue the payments received from tenants of the properties for certain items of expense. These landlord expenses would include: ad valorem taxes; franchise taxes; any tax or excise imposed on rents; general or special assessments or other taxes; operating expenses, including property and insurance expenses, utilities, maintenance expenses, management expenses; and similar amounts generally expended for commercial real estate.

The bill would become effective on January 1, 2010, and apply to franchise tax reports originally due on or after that date.

Methodology

The estimated fiscal impact is based on data from the Internal Revenue Service on corporations and partnerships who receive rental income from commercial real property and from the Comptroller's franchise tax data 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