

**LEGISLATIVE BUDGET BOARD**  
**Austin, Texas**

**FISCAL NOTE, 81ST LEGISLATIVE REGULAR SESSION**

**May 3, 2009**

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

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

**IN RE: HB3277** by Phillips (Relating to the imposition of the franchise tax on certain combined groups.), **As Introduced**

**The bill will have a direct impact of a revenue loss to the Property Tax Relief Fund of \$12,575,000 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	(\$6,210,000)
2011	(\$6,365,000)
2012	(\$6,588,000)
2013	(\$6,852,000)
2014	(\$7,126,000)

**Fiscal Analysis**

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

The bill would expand the definition of "affiliated group" to include a group of one or more entities in which an equal interest is owned by all owners or by all member entities, provided that none of the owner or member entities have more than 50 employees. The bill would amend the combined reporting provisions by adding a subsection that would allow an affiliated group described by the expanded definition to file a combined report in lieu of individual reports based on the combined group's business.

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

## **Methodology**

The bill would allow the unrelated owners of a business to file a combined report if certain conditions are met. Those conditions would include owners having equal ownership shares and none of the owners or the business owned having more than 50 employees.

The estimated fiscal impact is based on franchise tax reports for professional associations and professional corporations.

## **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