

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: HB3778 by Howard, Charlie (Relating to the exclusion of certain flow-through funds in determining total revenue for purposes of the franchise tax.), **As Introduced**

The bill will have a direct impact of a revenue loss to the Property Tax Relief Fund of \$219,353,000 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	(\$108,322,000)
2011	(\$111,031,000)
2012	(\$114,918,000)
2013	(\$119,516,000)
2014	(\$124,298,000)

Fiscal Analysis

The bill would amend Chapter 171 of the Tax Code, regarding the franchise tax, by adding a provision relating to exclusions from total revenue.

The bill would allow a taxable entity to exclude from total revenue subcontracting payments made to nonemployee agents for the performance of delivery services on behalf of the taxable entity.

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

Methodology

The estimate is based on data in the Comptroller's tax files from 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