

**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: HB3835** by Hilderbran (Relating to the exclusion of flow-through funds from 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 \$900,504,000 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	(\$444,692,000)
2011	(\$455,812,000)
2012	(\$471,770,000)
2013	(\$490,646,000)
2014	(\$510,277,000)

**Fiscal Analysis**

The bill would amend Chapter 171 of the Tax Code, regarding the franchise tax, by changing the requirements on taxable entities for excluding from total revenue flow-through funds mandated by contract to be distributed to other entities.

Current law in Section 171.1011(g) contains a list of flow-through funds that could be excluded from total revenue. This bill would delete the list and a clause restricting the revenue exclusion to the listed items. The bill would permit taxable entities to exclude from total revenue all flow-through funds mandated by contract to be distributed to other entities.

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

## **Methodology**

Information from the Comptroller's franchise tax files for the 2008 report year was used to estimate the fiscal impact of the bill.

## **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