

**LEGISLATIVE BUDGET BOARD**

**Austin, Texas**

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

**April 28, 2009**

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

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

**IN RE: HB3927** by Oliveira (Relating to the computation of taxable margin for purposes of the franchise tax by a taxable entity principally engaged in Internet hosting.), **Committee Report 1st House, Substituted**

**No fiscal implication to the State is anticipated for the upcoming biennium.**

**The bill will have a direct impact of a revenue loss to the Property Tax Relief Fund of \$2,000,000 beginning in the 2015 fiscal year. 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.**

The bill would amend Chapter 171 of the Tax Code, regarding the franchise tax, by changing the method of apportionment for certain taxable entities.

The bill would add a definition of "internet hosting." The bill would amend Section 171.106, dealing with apportionment of margin, by adding a provision providing that receipts from business done in this state for a taxable entity that receives more than 75 percent of its total revenue from internet hosting are receipts from customers located in this state. This provision would affect reports due on or after January 1, 2015.

The bill would require the Comptroller, on or before December 1 of each year, to evaluate the statewide fiscal impact of the change in the method of apportionment contained in the bill. If the Comptroller determines the change would not have a negative fiscal impact on the state, the change in apportionment procedures would take effect for reports due on or after January 1 of the year following the year of that determination. This provision would expire December 2, 2013.

The bill would take effect on September 1, 2009, and would apply to reports due on or after that date.

The effective date of the change in the method of apportionment is January 1, 2015. For that reason, the bill would have no fiscal impact during the period fiscal 2010 through fiscal 2014 . For years after fiscal 2014, the fiscal impact would be a loss to the Property Tax Relief Fund 0304 of \$2 million per year.

**Local Government Impact**

No fiscal implication to units of local government is anticipated.

**Source Agencies:** 304 Comptroller of Public Accounts

**LBB Staff:** JOB, MN, SM