

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

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

**April 19, 2009**

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

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

**IN RE: HB4266** by Howard, Charlie (Relating to the computation of taxable margin for purposes of the franchise tax by tier partnerships.), **As Introduced**

**The bill will have a direct impact of a revenue loss to the Property Tax Relief Fund of \$20,450,000 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	(\$10,099,000)
2011	(\$10,351,000)
2012	(\$10,713,000)
2013	(\$11,142,000)
2014	(\$11,588,000)

**Fiscal Analysis**

The bill would amend Chapter 171 of the Tax Code, regarding the franchise tax, by adding language to the section of the Code dealing with tier partnerships.

Under current law an upper tier entity could include in its tax calculation the total revenue of a lower tier entity, if the lower tier entity submits a report to the Comptroller showing the amount of total revenue each upper tier entity that owns it should include in the upper tier entity's tax report. The bill would add the related cost of goods sold or compensation to the items reported by the lower tier entity to the upper tier entities and to the Comptroller.

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

## **Methodology**

The bill would provide upper tier entities subtractions for compensation or cost of goods sold that are not available under current law. The estimated fiscal impact is based on data in the Comptroller's franchise tax files on tier partnerships' revenue, taxable margin, cost of goods sold, and compensation.

## **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