

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 81ST LEGISLATIVE REGULAR SESSION

May 26, 2009

TO: Honorable Steve Ogden, Chair, Senate Committee on Finance

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

IN RE: HB4765 by Oliveira (Relating to the computation of the franchise tax.), **Committee Report 2nd House, Substituted**

The bill would have a direct impact of a revenue loss to the Property Tax Relief Fund of \$172,125,000 for the 2010-11 biennium if HB 2154 were to become law or a direct impact of a revenue loss to the Property Tax Relief Fund of \$36,450,000 for the 2010-11 biennium if HB 2154 were not to become law. 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 following table assumes that HB 2154, which would amend Chapter 155 of the Tax Code to change the taxation of certain tobacco products, would become law.

All Funds, Five-Year Impact:

Fiscal Year	Probable Revenue Gain/(Loss) from <i>Property Tax Relief Fund</i> 304
2010	(\$85,000,000)
2011	(\$87,125,000)
2012	(\$19,096,000)
2013	(\$19,860,000)
2014	(\$20,654,000)

The following table assumes that HB 2154, which would amend Chapter 155 of the Tax Code to change the taxation of certain tobacco products, would not become law.

Fiscal Year	Probable Revenue Gain/(Loss) from <i>Property Tax Relief Fund</i> 304
2010	(\$18,000,000)
2011	(\$18,450,000)
2012	(\$19,096,000)
2013	(\$19,860,000)
2014	(\$20,654,000)

Fiscal Analysis

The bill would amend Chapter 171 of the Tax Code, regarding the franchise tax, by increasing the amount of total revenue at which a taxable entity would owe no tax.

The amount under current law is \$300,000. The amount provided for by this bill would depend on whether HB 2154, which amends Chapter 155 of the Tax Code to change the taxation of certain tobacco products, becomes law. If HB 2154 were to become law and were to result in an increase in the revenue from the tobacco products tax, the total revenue amount at which a taxable entity would owe no tax would be \$1 million for the years 2010 and 2011, and \$600,000 in future years. If HB 2154 were not to become law the total revenue amount would be \$600,000 beginning in 2010 and would remain at that level.

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

Methodology

The estimated fiscal impact of the bill is based on data reported on the 2008 franchise tax reports, and extrapolated through the forecast period.

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