

**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: HB4766** by Oliveira (Relating to the computation of the franchise tax.), **As Introduced**

<p><b>The bill will have a direct impact of a revenue loss to the Property Tax Relief Fund of \$117,450,000 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.</b></p>
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**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	(\$58,000,000)
2011	(\$59,450,000)
2012	\$0
2013	\$0
2014	\$0

**Fiscal Analysis**

The bill would amend Chapter 171 of the Tax Code, regarding the franchise tax, by temporarily increasing the amount of total revenue on which a taxable entity would owe no tax. The amount in current law is \$300,000.

The bill would raise the amount to \$750,000 for tax reports due in 2010 and 2011. The bill would also temporarily adjust the discounts from tax due for taxable entities with total revenue between \$750,000 and \$1,000,000. Under current law a taxable entity with total revenue between \$500,000 and \$400,000 receives an 80 percent discount. And one with total revenue between \$400,000, and \$500,000, receives a 60 percent discount. Under current law a taxable entity with total revenue between \$750,000 and \$900,000 is entitled to a discount of 20 percent. This bill would increase the discount for 2010 and 2011 to 50 percent. Under current law a taxable entity with total revenue greater than \$900,000 receives no discount. This bill would provide a discount of 33 percent for taxable entities with total revenue of at least \$900,000 but not more than \$1,000,000 for tax reports due in

2010 and 2011.

The bill would restore current law provisions for the total revenue exemption and the discounts ranges and percentages for reports due on or after January 1, 2012.

The bill would take effect 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 from taxable entities with total revenue of \$750,000 or less and from taxable entities with total revenue between \$750,000 and \$1,000,000.

### **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