LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 81ST LEGISLATIVE REGULAR SESSION

May 12, 2009

TO: Honorable Mark Strama, Chair, House Committee on Technology, Economic Development & Workforce

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

IN RE: **SB1833** by Patrick, Dan (Relating to county participation in the enterprise zone program.), **As Engrossed**

Depending upon the number of qualified hotel projects that could become eligible for state and local tax rebates, there could be an indeterminate revenue loss to the state.

The following tables are provided for illustrative purposes only by the Comptroller's office and reflect the potential loss in state and local revenues for a single hypothetical project in one county and do not represent the entire potential loss if more than one project becomes eligible for state and local tax rebates.

General Revenue-Related Funds, Five-Year Impact:

Fiscal Year	Probable Net Positive/(Negative) Impact to General Revenue Related Funds
2010	($4,426,000)
2011	($4,641,000)
2012	($4,868,000)
2013	($5,100,000)
2014	($5,344,000)

All Funds, Five-Year Impact:

Fiscal Year	Probable Revenue Gain/(Loss) from *General Revenue Fund* 1	Probable Revenue Gain/(Loss) from *Local Government*
2010	($4,426,000)	($3,159,000)
2011	($4,641,000)	($3,327,000)
2012	($4,868,000)	($3,493,000)
2013	($5,100,000)	($3,664,000)
2014	($5,344,000)	($3,843,000)

Fiscal Analysis

The bill would amend the Government Code to add a county having a population of 1.5 million or more to those counties that may, through an enterprise zone program, refund its local sales and use taxes paid by a qualified business on all taxable items purchased for use at the qualified business site related to the enterprise zone project or activity.

Based on the 2000 U.S. Census, the bill would apply only to Dallas and Harris counties.

Methodology

Under the bill, more projects could be eligible for state and local tax rebates. For illustrative purposes only, the Comptroller of Public Accounts calculated an estimated fiscal impact using a single hypothetical project in one county. The Comptroller estimated taxable receipts for sales and use, hotel, and mixed beverage taxes for a representative hotel based on Comptroller tax files. Taxable sales were multiplied by the state tax rate of 6.25 percent to determine the state sales tax loss to the General Revenue Fund. The fiscal impact on units of local government were estimated proportionally.

Hotel receipts were multiplied by the 6 percent state hotel occupancy tax rate to estimate the loss to the General Revenue Fund and by a representative 7 percent local hotel tax rate to estimate the loss in local hotel tax revenues. General Revenue Fund losses in state mixed beverage tax collections were also estimated and then adjusted for local allocations to estimate the corresponding local losses.

Note: The table above is provided for illustrative purposes only. It represents the potential loss in state and local revenues for a single hypothetical project in one county.

Local Government Impact

The fiscal impact would vary by applicable local government depending on the number of projects and activities to which a county would make a tax refund and the amount of sales and use tax applicable to those projects and activities. A theoretical example of the impact to local government for illustrative purposes is shown in the tables above.

Source Agencies: 304 Comptroller of Public Accounts

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