

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 82ND LEGISLATIVE REGULAR SESSION

May 3, 2011

TO: Honorable Harvey Hilderbran, Chair, House Committee on Ways & Means

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

IN RE: HB262 by Hilderbran (relating to the extension of the \$1 million total revenue exemption for the franchise tax.), **Committee Report 1st House, Substituted**

Estimated Two-year Net Impact to General Revenue Related Funds for HB262, Committee Report 1st House, Substituted: an impact of \$0 through the biennium ending August 31, 2013.

The bill will have a direct impact of a revenue loss of (\$149,900,000) from the Property Tax Relief Fund during the 2012-13 biennium. The loss would be required to be made up with an equal amount of General Revenue to fund the Foundation School Program.

General Revenue-Related Funds, Five-Year Impact:

Fiscal Year	Probable Net Positive/(Negative) Impact to General Revenue Related Funds
2012	\$0
2013	\$0
2014	\$0
2015	\$0
2016	\$0

All Funds, Five-Year Impact:

Fiscal Year	Probable Revenue (Loss) from <i>Property Tax Relief Fund</i> 304
2012	(\$73,900,000)
2013	(\$76,000,000)
2014	\$0
2015	\$0
2016	\$0

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 in current law effective for reports due in 2012 and later is \$600,000. This bill would raise the amount to \$1,000,000 for reports due in 2012 and 2013. The threshold would drop to \$600,000 for reports due in 2014 and beyond.

The bill would only take effect if H.B. 3790, Acts of the 82nd Legislature, Regular Session, 2011, is enacted and becomes law, and results in an increase in the revenue collected from state taxes imposed during the 2012-13 biennium. The bill would have no effect if H.B. 3790 does not become law, or does not result in an increase in the revenue collected from state taxes imposed during the 2012-13

biennium.

This bill would take effect immediately upon enactment, assuming that it received the requisite two-thirds majority votes in both houses of the Legislature. Otherwise, it would take effect September 1, 2011.

Methodology

The estimated fiscal impact of the bill is based on data reported on the 2009 franchise tax reports from taxable entities with total revenue between \$600,000 and \$1,000,000. The estimated fiscal impact would be the same for immediate effect or for a September 1, 2011 effective date.

Local Government Impact

No significant fiscal implication to units of local government is anticipated.

Source Agencies: 304 Comptroller of Public Accounts

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