

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 82ND LEGISLATIVE REGULAR SESSION

April 26, 2011

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

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

IN RE: HB429 by Fletcher (Relating to the classification of automotive repair shops as primarily engaged in retail trade for purposes of the franchise tax.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for HB429, As Introduced: an impact of \$0 through the biennium ending August 31, 2013.

The bill will have a direct impact of a revenue loss of (\$13,878,000) 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	(\$6,841,000)
2013	(\$7,037,000)
2014	(\$7,181,000)
2015	(\$7,200,000)
2016	(\$7,259,000)

Fiscal Analysis

The bill would amend Chapter 171 of the Tax Code, regarding the franchise tax, by adding to the definition of "retail trade" the activities classified as Industry Group 753 in the 1987 Standard Industrial Classification Manual.

The bill would take effect on January 1, 2012, and apply to a franchise tax report due on or after that date.

Methodology

In the 1987 Standard Industrial Classification Manual, Group 753 covers automotive repair shops.

Under current law such entities must use a one percent tax rate to calculate franchise tax due. The bill's provisions would permit this group of taxpayers to use a tax rate of 0.5 percent. Data from the Comptroller's franchise tax files for taxable entities classified as automotive repair shops were used to estimate the fiscal impact.

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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