

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 82ND LEGISLATIVE REGULAR SESSION
Revision 1

March 22, 2011

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

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

IN RE: HB658 by Villarreal (relating to the repeal of state sales tax and franchise tax refunds for certain ad valorem tax payers.), **Committee Report 1st House, Substituted**

Estimated Two-year Net Impact to General Revenue Related Funds for HB658, Committee Report 1st House, Substituted: a positive impact of \$6,714,000 through the biennium ending August 31, 2013.

The bill would make no appropriation but could provide the legal basis for an appropriation of funds to implement the provisions of the bill.

General Revenue-Related Funds, Five-Year Impact:

Fiscal Year	Probable Net Positive/(Negative) Impact to General Revenue Related Funds
2012	\$0
2013	\$6,714,000
2014	\$6,714,000
2015	\$6,714,000
2016	\$6,714,000

All Funds, Five-Year Impact:

Fiscal Year	Probable Revenue Gain/(Loss) from <i>General Revenue Fund</i> 1	Probable Revenue Gain/(Loss) from <i>Property Tax Relief Fund</i> 304
2012	\$0	\$0
2013	\$6,714,000	\$3,286,000
2014	\$6,714,000	\$3,286,000
2015	\$6,714,000	\$3,286,000
2016	\$6,714,000	\$3,286,000

Fiscal Analysis

This bill would repeal the Economic Development Refund Program. The Legislative Budget Board's *Government Effectiveness & Efficiency Report* to the Eighty-Second Legislature titled, "Phase Out Economic Development Tax Refunds" makes a similar recommendation.

This bill would repeal Subchapter F of Chapter 111 of the Tax Code, regarding tax refunds for certain ad valorem taxpayers in reinvestment zones. Subchapter F, proposed for repeal, currently provides a refund of sales and use and franchise tax payments made by certain persons who paid ad valorem taxes to a school district on property in a reinvestment zone that is subject to an abatement agreement with a city or county and is not subject to an abatement agreement or an agreement to limit the appraised value of property with the school district. To be eligible for the refund, the person and

person's business must meet certain conditions. The total amount that can be refunded to all eligible persons is capped at \$10 million in any year. The bill would take effect September 1, 2011.

Methodology

The estimated fiscal impact from the proposed repeal is based on refunds that have been made under the provisions of Subchapter F. There is no estimated fiscal impact for 2012 as the current statute and provisions of the bill would result in refunds being made through fiscal 2012. State savings would begin in fiscal 2013.

Local Government Impact

No fiscal implication to units of local government is anticipated.

Source Agencies: 304 Comptroller of Public Accounts

LBB Staff: JOB, KK, JI, JJ, SD