

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 82ND LEGISLATIVE REGULAR SESSION

April 10, 2011

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

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

IN RE: HB701 by Murphy (Relating to the total revenue exemption for the franchise tax.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for HB701, As Introduced: an impact of \$0 through the biennium ending August 31, 2013.

The bill will have a direct impact of a revenue loss to the Property Tax Relief Fund in fiscal year 2012 and 2013. 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.

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 Property Tax Relief Fund 304
2012	(\$73,900,000)
2013	(\$76,000,000)
2014	\$0
2015	\$0
2016	\$0

Fiscal Analysis

This bill would amend Chapter 171 of the Tax Code, regarding the franchise tax, to increase the amount of total revenue below which a taxable entity would owe no tax for tax reports due in 2012 and 2013. The amount in current law effective for reports due in 2012 and later is \$600,000. The bill would raise the amount to \$1,000,000 for 2012 and 2013. For tax reports due on or after January 1, 2014, the bill would set the total revenue amount at which no tax is due to \$600,000, the current law amount.

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

LBB Staff: JOB, KK, SD