

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 82ND LEGISLATIVE REGULAR SESSION

May 2, 2011

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

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

IN RE: HB869 by Creighton (Relating to the franchise tax and alternative revenue sources and spending priorities for this state.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for HB869, 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 (\$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	(\$2,938,448,000)

All Funds, Five-Year Impact:

Fiscal Year	Probable Revenue (Loss) from <i>General Revenue Fund</i> 1	Probable Revenue (Loss) from <i>Property Tax Relief Fund</i> 304
2012	\$0	(\$73,900,000)
2013	\$0	(\$76,000,000)
2014	\$0	(\$77,600,000)
2015	\$0	(\$77,800,000)
2016	(\$2,938,448,000)	(\$1,646,540,000)

Fiscal Analysis

The bill would direct the Comptroller's Office to conduct a comprehensive study that would (1) analyze and compare revenue alternatives to the franchise tax; (2) prioritize the revenue needs of this state; and (3) identify potential reductions in state expenditures. The Comptroller would be required to submit a report with the results from the study to the Legislature not later than November 1, 2012, to include specifying one or more revenue alternatives that would effectively meet the state's revenue needs, specific state expenditure reductions, and legislation needed to implement those revenue and expenditure proposals.

The bill would repeal portions of Chapter 171 of the Tax Code, regarding the franchise tax, which would result in an increase in 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, and the bill would raise that amount to \$1,000,000 subject to an inflation adjustment.

The bill would repeal Chapter 171 of the Tax Code, regarding the franchise tax, effective January 1, 2016.

This bill 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 of the repeal of Chapter 171 of the Tax Code is based on the 2012-2013 Biennial Revenue Estimate.

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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