

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 82ND LEGISLATIVE REGULAR SESSION

April 21, 2011

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

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

IN RE: HB1308 by Villarreal (Relating to a periodic review of state and local tax preferences.), **As Introduced**

No significant fiscal implication to the State is anticipated.

The bill would amend the Government Code by adding new Chapter 320A, regarding the review of state and local tax preferences.

The bill would establish the Select Commission on Periodic Tax Preference Review, consisting of three House members and four public members chosen by the Speaker; three Senate members and four public members chosen by the Lieutenant Governor; and the Comptroller. The members would serve two-year terms. Staffing for the Commission would be provided by the Legislative Budget Board, the Legislative Council, the Governor's Office, the Senate, the House, and the Comptroller's Office. Funding for the Commission would come from contingent expense funds of the Senate and the House. The bill would define "tax preference" as a credit, discount, exclusion, exemption, refund, special valuation, special accounting treatment, special rate, or special method of reporting relating to a state or local tax.

The Commission would identify each state tax preference and each type of local tax preference, and develop a schedule under which each identified tax preference is reviewed once during a 12-year period. The Legislative Budget Board would perform the reviews of each tax preference to determine the purpose for the tax preference, whether the preference accomplishes its intended purpose, and whether the preference is inefficient, ineffective, unnecessary, or is a low priority for the state. The review must quantify the impacts of the tax preference in terms of the number of high wage jobs created, funding for public services, and the distribution of the tax burden by personal income or industry class. The Board could request assistance from the Comptroller's Office and other state agencies in the reviews.

The Commission would report biennially to the Governor and the presiding officers of the Senate Finance Committee and the House Ways and Means Committee on the tax preferences previously scheduled for review. Committees of the Senate and House would conduct joint hearings on the reports.

The Select Commission shall submit the initial final report to the Governor and the Senate and House committees no later than December 1, 2012.

This analysis assumes any expenses resulting from the provisions of the bill could be absorbed within current resources.

The bill would take effect September 1, 2011.

Local Government Impact

No fiscal implication to units of local government is anticipated.

Source Agencies: 103 Legislative Council, 304 Comptroller of Public Accounts

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