

**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: HB1439** by Berman (Relating to the franchise tax liability of certain taxable entities.), **As Introduced**

**Estimated Two-year Net Impact to General Revenue Related Funds** for HB1439, 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 (\$2,016,000,000) 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:**

<b>Fiscal Year</b>	<b>Probable Net Positive/(Negative) Impact to General Revenue Related Funds</b>
2012	\$0
2013	\$0
2014	\$0
2015	\$0
2016	\$0

**All Funds, Five-Year Impact:**

<b>Fiscal Year</b>	<b>Probable Revenue (Loss) from <i>Property Tax Relief Fund</i> 304</b>
2012	(\$94,000,000)
2013	(\$1,022,000,000)
2014	(\$1,043,000,000)
2015	(\$1,046,000,000)
2016	(\$1,055,000,000)

**Fiscal Analysis**

This bill would amend Chapter 171 of the Tax Code, regarding the franchise tax.

The bill would add provisions affecting the tax liability of certain taxable entities. The bill would define "taxable income" for entities treated as corporations, partnerships, and other entities. The bill would provide that a taxable entity would have no franchise tax liability for a period in which the entity's taxable income was zero or less, but this provision would not apply if the entity was a member of a combined group. The bill would conform references to Internal Revenue Service forms, and reportable amounts on a line number in an Internal Revenue Service form, to existing provisions in Chapter 171.

The bill would direct the Comptroller to adopt rules as necessary to accomplish the legislative intent of the bill. The Comptroller could require a taxable entity affected by the bill to file an abbreviated information report stating the amount of the entity's taxable income.

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

### **Methodology**

Internal Revenue Service tax returns for a sample of franchise tax reporting entities were analyzed. The franchise tax liability of entities in the sample with income of zero or less was used to estimate the impact of the bill for the entire franchise tax.

### **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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