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: **HB2171** by Torres (Relating to a franchise tax credit for the employment of persons with a disability or veterans of the United States armed forces.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for HB2171, 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 ($286,000,000) 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:

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	($143,000,000)
2013	($143,000,000)
2014	($15,000,000)
2015	($15,000,000)
2016	($15,000,000)

Fiscal Analysis

The bill would amend Chapter 171 of the Tax Code, regarding the franchise tax, to add a franchise tax credit for the employment of persons with a disability or veterans of the U.S. armed forces.

The credit would be for each employee who met certain conditions. The conditions would include, among others, that the employee was originally hired for a position located in this state and at the time of hiring had a disability or was a veteran of the U.S. armed forces. The amount of credit would be $500 for each employee that met the conditions. The credit could be claimed only one time for each qualified employee. The total credit would be limited to the amount of franchise tax due on a report before any other applicable tax credit. The Comptroller would be required to adopt rules necessary to implement the bill's provisions.

The bill would take effect January 1, 2012, and apply only to reports due on or after that date.

Methodology

Under the bill's provisions a taxable entity could claim a credit for employees meeting the specified qualifications at the time the bill becomes effective as well as new hires of qualified employees.

The estimate is based on data from the U.S. Census Bureau. The estimate assumes that credits used by taxable entities on the first two reports following the bill's effective date would largely reflect qualified employees that have been on the taxable entities' payroll. After that credits would be based on new hiring of qualified employees.

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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