

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: HB3326 by Woolley (Relating to the classification of certain entities as primarily engaged in retail trade for purposes of the franchise tax.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for HB3326, 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 (\$243,000) 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 <i>Property Tax Relief Fund</i> 304 |
|--------------------|---|
| 2012 | (\$120,000) |
| 2013 | (\$123,000) |
| 2014 | (\$126,000) |
| 2015 | (\$127,000) |
| 2016 | (\$128,000) |

Fiscal Analysis

The bill would amend Chapter 171 of the Tax Code, regarding the franchise tax, by revising the definition of "retail trade." The bill would add apparel rental activities to the definition of retail trade.

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

Methodology

The estimated fiscal impact of the bill is based on 2008 franchise tax reports from taxable entities in the business of renting apparel. These entities would become subject to the 0.5 percent tax rate rather than the 1 percent rate.

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