

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 82ND LEGISLATIVE REGULAR SESSION

April 15, 2011

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

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

IN RE: HB3476 by Carter (Relating to a franchise tax credit for certain taxable entities that recruit new taxable entities to this state or that relocate to this state.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for HB3476, As Introduced: an impact of \$0 through the biennium ending August 31, 2013.

The bill will have a direct impact of a revenue loss to the Property Tax Relief Fund beginning in fiscal year 2013. Any loss to the Property Tax Relief Fund will have to be made up with General Revenue of the same amount to fund property tax relief.

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	\$0
2013	(\$3,000,000)
2014	(\$3,000,000)
2015	(\$3,000,000)
2016	(\$3,000,000)

Fiscal Analysis

This bill would add new Subchapter M to Chapter 171 of the Tax Code, regarding a franchise tax credit for recruitment and relocation of certain taxable entities to the state.

The bill would provide definitions relevant to the new subchapter, including a definition for "qualifying job." The bill would specify requirements for a taxable entity to qualify as a sponsor taxable entity including a requirement that the taxable entity convince a new taxable entity to agree to relocate to this state. The bill would specify requirements for an entity to qualify as a new taxable entity, including requirements that the entity have a place of business outside of this state and not have a place of business in this state. Under the bill's provisions a sponsor taxable entity and a new taxable entity would apply jointly to the Comptroller for certification that the entities meet the requirements

set out in the bill and that the new taxable entity agrees to establish a business location in this state and create at least three qualifying jobs within eight months after the date of filing an application.

The certified sponsor and new taxable entity would each qualify for a franchise tax credit in the amount of \$500 for each qualifying job created or maintained by the certified new taxable entity. The amount of credit would be limited to the taxable entities' tax liability. The total amount of credit that could be claimed by all eligible taxable entities would be limited to \$3 million per year. The Comptroller would prescribe procedures to allocate credits on a "first come, first served" basis, and could require a taxable entity to notify the Comptroller of the amount the entity intends to claim. The credits would be claimed on three consecutive reports following certification. Eligible credits that exceed to the limitation may be carried forward for one year. A taxable entity would not be allowed to assign or transfer the credit to another taxable entity.

The Comptroller would be required to report information on the entities and credits applied for under the bill's provisions prior to the beginning of each regular session. The report could not reveal information that is confidential by law.

The Comptroller would adopt rules 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

There would be no fiscal impact in 2012 because the credits earned after the bill's effective date could not be used until 2013 or later. For fiscal years after 2012 the fiscal impact is estimated at \$3 million per year due to the overall limitation contained in the bill. Some of the revenue loss would be offset by franchise tax payments from new taxable entities recruited to the state under the program. Since the size and number of recruited entities is not known, the revenue offset cannot be estimated.

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