

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 82ND LEGISLATIVE REGULAR SESSION

April 4, 2011

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

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

IN RE: HB3509 by Villarreal (Relating to the computation of taxable margin for purposes of the franchise tax by a taxable entity principally engaged in Internet hosting.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for HB3509, 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 of (\$4,000,000) for the 2012-13 biennium. 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 Property Tax Relief Fund 304
2012	(\$2,000,000)
2013	(\$2,000,000)
2014	(\$2,000,000)
2015	(\$2,000,000)
2016	(\$2,000,000)

Fiscal Analysis

This bill would amend Chapter 171 of the Tax Code, regarding the franchise tax, by changing the definition of a receipt from business done in Texas for certain taxpayers. The bill would define "cloud computing service" and "cloud computing service provider." The bill would provide that a receipt from cloud computing services is a Texas receipt if the customer to whom the service is provided is located in this state.

The bill would take effect on September 1, 2011 and apply to a report due on or after that date.

Methodology

Under current law the business receipt for providing a service is sourced to where the service is performed. This bill would change the procedure for taxable entities providing cloud computing services. The estimated fiscal impact is based on the information from the Comptroller's franchise tax database.

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