

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 83RD LEGISLATIVE REGULAR SESSION

May 9, 2013

TO: Honorable Tommy Williams, Chair, Senate Committee on Finance

FROM: Ursula Parks, Director, Legislative Budget Board

IN RE: **HB213** by Hilderbran (Relating to the \$1 million total revenue exemption for the franchise tax.), **As Engrossed**

Estimated Two-year Net Impact to General Revenue Related Funds for HB213, As Engrossed: an impact of \$0 through the biennium ending August 31, 2015.

Additionally, the bill will have a direct impact of a revenue loss to the Property Tax Relief Fund of **(\$164,032,000)** for the 2014-15 biennium. Any loss to the Property Tax Relief Fund must be made up with an equal amount of General Revenue to fund the Foundation School Program.

Revenue losses would increase substantially in future biennium due to the phase-in of a higher total revenue threshold for elimination of franchise tax liability. When the highest threshold becomes law in FY 2022, the bill will have a direct impact of a revenue loss to the Property Tax Relief Fund of **(\$1,879,831,000)** in the 2022-23 biennium.

General Revenue-Related Funds, Ten-Year Impact:

Fiscal Year	Probable Net Positive/(Negative) Impact to General Revenue Related Funds
2014	\$0
2015	\$0
2016	\$0
2017	\$0
2018	\$0
2019	\$0
2020	\$0
2021	\$0
2022	\$0
2023	\$0

All Funds, Ten-Year Impact:

Fiscal Year	Probable Revenue (Loss) from <i>Property Tax Relief Fund</i> 304
2014	(\$81,848,000)
2015	(\$82,184,000)
2016	(\$506,510,000)
2017	(\$497,525,000)
2018	(\$697,042,000)
2019	(\$704,012,000)
2020	(\$829,772,000)
2021	(\$838,070,000)
2022	(\$935,239,000)
2023	(\$944,592,000)

Fiscal Analysis

The bill would amend Chapter 171 of the Tax Code, regarding the franchise tax, by setting an amount of total revenue at or below which a taxable entity would incur no franchise tax liability. The amount in current law for reports due in 2014 or later is \$600,000. This bill would set the amount at \$1 million for reports due in 2014 and 2015; \$5 million for reports due in 2016 and 2017; \$10 million for reports due in 2018 and 2019; \$15 million for reports due in 2020 and 2021; and \$20 million for reports due in 2022 and later. The bill would repeal sections of Chapter 171 that would have no effect with the changes made by the bill.

Except as otherwise provided by the bill would take effect immediately upon enactment, assuming that it received the requisite two-thirds majority votes in both houses of the Legislature. Otherwise, it would take effect September 1, 2013.

Methodology

The estimated fiscal impact of the bill is based on data from the Comptroller's franchise tax return files. The fiscal impact would be the same for immediate effect and for a September 1, 2013 effective date.

Local Government Impact

No fiscal implication to units of local government is anticipated.

Source Agencies: 304 Comptroller of Public Accounts

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