

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 83RD LEGISLATIVE REGULAR SESSION

March 15, 2013

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

FROM: Ursula Parks, Director, Legislative Budget Board

IN RE: HB416 by Hilderbran (Relating to the computation of the franchise tax by a taxable entity engaged in Internet hosting.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for HB416, As Introduced: an impact of \$0 through the biennium ending August 31, 2015.

The bill will have a direct impact of a revenue loss to the Property Tax Relief Fund of (\$5,000,000) 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.

General Revenue-Related Funds, Five-Year Impact:

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

All Funds, Five-Year Impact:

Fiscal Year	Probable Revenue (Loss) from Property Tax Relief Fund
	304
2014	(\$2,500,000)
2015	(\$2,500,000)
2016	(\$2,500,000)
2017	(\$2,500,000)
2018	(\$2,500,000)

Fiscal Analysis

The bill would amend Chapter 171 of the Tax Code, regarding the franchise tax, to add a provision regarding what constitutes a receipt from business done in this state. The new provision would

specify that a receipt from Internet hosting as described by Section 151.108(a) of the Tax Code is a Texas receipt only if the customer to whom the service is provided is located in this state.

The bill would take effect on September 1, 2013, and apply to a franchise tax report due on or after that date.

Methodology

Under existing law a business receipt for providing a service is sourced to the location where the service is performed. This bill would change the sourcing determination for taxable entities providing Internet hosting services. For these taxable entities the receipt would be sourced to the location of the customer to whom the service is provided. The estimated fiscal impact is based on information from the Comptroller's franchise tax files.

Local Government Impact

No fiscal implication to units of local government is anticipated.

Source Agencies: 304 Comptroller of Public Accounts

LBB Staff: UP, KK, SD