

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 83RD LEGISLATIVE REGULAR SESSION

April 29, 2013

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

FROM: Ursula Parks, Director, Legislative Budget Board

IN RE: HB510 by Murphy (relating to the computation of the franchise tax by taxable entities that rent or lease certain equipment and other items.), **Committee Report 1st House, Substituted**

Estimated Two-year Net Impact to General Revenue Related Funds for HB510, Committee Report 1st House, Substituted: 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 (\$8,548,000) 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	(\$4,265,000)
2015	(\$4,283,000)
2016	(\$4,363,000)
2017	(\$4,286,000)
2018	(\$4,251,000)

Fiscal Analysis

This bill would amend Chapter 171 of the Tax Code, regarding the franchise tax, by adding to the

definition of "retail trade." The additions would include activities involving the rental or leasing of tools, party and event supplies, and furniture that are classified as Industry 7359 in the 1987 Standard Industrial Classification Manual. The bill also would add heavy construction equipment rental or leasing activities classified as Industry 7353 in the 1987 Standard Industrial Classification Manual to the definition of retail trade.

The bill would take effect on January 1, 2014, and apply to reports due on or after that date.

Methodology

The bill would provide that taxable entities in the rental or leasing businesses addressed by the bill calculate franchise tax liability by applying a tax rate of 0.5 percent to taxable margin. Under current law the applicable tax rate is 1.0 percent. The estimated fiscal impact is based on the franchise tax return information for taxable entities in industries affected by the bill.

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