

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: HB510 by Murphy (Relating to the computation of the franchise tax by certain taxable entities that rent or lease equipment.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for HB510, As Introduced: 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 (\$24,015,000) 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	(\$11,983,000)
2015	(\$12,032,000)
2016	(\$12,258,000)
2017	(\$12,041,000)
2018	(\$11,942,000)

Fiscal Analysis

The bill would amend Chapter 171 of the Tax Code, regarding the franchise tax, by adding to the exceptions for the requirement that a taxable entity classified as primarily engaged in retail or

wholesale trade receive less than 50 percent of its total revenue from the sale products it or its affiliates produce. The added exemption would apply to total revenue in a trade that rents or leases tangible personal property described by Industry Group 735 of the Standard Industrial Classification Manual. Group 735 includes miscellaneous equipment rental and leasing.

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

Methodology

The bill, as filed, makes an ambiguous change to the franchise tax statute with, perhaps, no effect. However, the estimate assumes that the bill's provisions would allow all taxable entities in the business of renting or leasing commercial and industrial machinery and equipment to calculate franchise tax using a tax rate of 0.5 percent rather than 1.0 percent. The estimate is based on the Comptroller's franchise tax data 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