

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 83RD LEGISLATIVE REGULAR SESSION

May 3, 2013

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

FROM: Ursula Parks, Director, Legislative Budget Board

IN RE: HB716 by Harper-Brown (Relating to the phaseout and repeal of the franchise tax.), As Introduced

Estimated Two-year Net Impact to General Revenue Related Funds for HB716, 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 (\$976,206,000) 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	(\$933,304,000)
2018	(\$1,884,777,000)

All Funds, Five-Year Impact:

Fiscal Year	Probable Revenue (Loss) from Property Tax Relief Fund 304	Probable Revenue (Loss) from General Revenue Fund 1
2014	\$0	\$0
2015	(\$976,206,000)	\$0
2016	(\$1,989,061,000)	\$0
2017	(\$1,992,103,000)	(\$933,304,000)
2018	(\$1,977,558,000)	(\$1,884,777,000)

Fiscal Analysis

The bill would amend Chapter 171 of the Tax Code, regarding the franchise tax, to reduce the tax rates applicable to the franchise tax base in four steps, beginning for reports due in 2015 and

ending for reports due in 2018. For each year from 2015 to 2018 the bill would specify a tax rate applicable to taxable entities not primarily engaged in wholesale or retail trade, a tax rate for taxable entities primarily engaged in wholesale or retail trade, and a tax rate for taxable entities who elect the EZ calculation.

The bill would repeal Chapter 171 effective January 1, 2019. A taxable entity subject to the tax on December 31, 2018 would be required to file a final report and pay a transitional tax equal to the tax the taxable entity would have paid if the tax had not been repealed. The report and payment would be due on May 15, 2019.

The bill would provide that the repeal of Chapter 171 would not affect audits, deficiencies, redeterminations or refunds of franchise tax until barred by limitations. The repeal would not affect the status of a taxable entity that has had its business privileges or certificate revoked or a law suit filed against it.

This bill would take effect on January 1, 2015, although bill sections imposing tax rate reductions would take effect on various dates.

Methodology

The estimated fiscal impact is based on the Comptroller's 2014-2015 Biennial Estimate and the Comptroller's franchise tax files.

Technology

The Comptroller of Public Accounts indicates there would be a one-time technology cost of \$292,000 in fiscal year 2014 for programming and system support costs.

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