

**LEGISLATIVE BUDGET BOARD**  
**Austin, Texas**

**FISCAL NOTE, 83RD LEGISLATIVE REGULAR SESSION**

**April 1, 2013**

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

**FROM:** Ursula Parks, Director, Legislative Budget Board

**IN RE: HB1103** by Harper-Brown (Relating to the \$1 million total revenue exemption for the franchise tax.), **As Introduced**

**Estimated Two-year Net Impact to General Revenue Related Funds** for HB1103, 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 (\$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.**

**General Revenue-Related Funds, Five-Year Impact:**

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

**All Funds, Five-Year Impact:**

<b>Fiscal Year</b>	<b>Probable Revenue (Loss) from Property Tax Relief Fund 304</b>
2014	(\$81,848,000)
2015	(\$82,184,000)
2016	(\$83,727,000)
2017	(\$82,241,000)
2018	(\$81,569,000)

**Fiscal Analysis**

The bill would amend Chapter 171 of the Tax Code, regarding the franchise tax, to increase the amount of total revenue below which a taxable entity would owe no tax to \$1 million for reports

due in 2014 and later. The amount in current law is \$600,000.

The bill would repeal sections of Chapter 171 which would not be relevant with a permanent \$1 million total revenue base for owing no franchise tax, to include provisions for tax liability discounts for taxable entities with total revenue between \$600,000 and \$900,000; adjustments to the tax liability discount revenue limits based on changes in the consumer price index; and the availability of the tax liability discounts for taxable entities filing the EZ form.

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 franchise tax reports from taxable entities with total revenue between \$600,000 and \$1 million. The fiscal impact would be the same for immediate effect and for a September 1, 2013 effective date.

### **Technology**

The Comptroller indicates there would a one-time technology cost of \$73,000 in fiscal year 2014 for programming maintenance 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