LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 83RD LEGISLATIVE REGULAR SESSION

May 14, 2013

TO: Honorable Tommy Williams, Chair, Senate Committee on Finance

FROM: Ursula Parks, Director, Legislative Budget Board

IN RE: **HB1289** by Hilderbran (Relating to the exclusion of certain service costs in determining a taxable entity's taxable margin for purposes of the franchise tax.), **As Engrossed**

Estimated Two-year Net Impact to General Revenue Related Funds for HB1289, As Engrossed: 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 ($13,288,000) 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	($6,630,000)
2015	($6,658,000)
2016	($6,782,000)
2017	($6,663,000)
2018	($6,607,000)

Fiscal Analysis

The bill would amend Chapter 171 of the Tax Code, regarding the franchise tax, to add an exclusion from total revenue for certain taxable entities primarily engaged in transporting commodities by waterways and to allow the subtraction of certain costs as costs of goods sold by certain pipeline entities. The exclusion from total revenue would apply to taxable entities that do not subtract cost of goods sold from total revenue in computing taxable margin. The exclusion from total revenue would be for direct costs of providing inbound and outbound transportation services by waterways to the same extend a taxable entity selling real or tangible personal property would be authorized to subtract those costs as costs of goods sold.

The bill would provide that pipeline entities that transport product for others would subtract as cost of goods sold costs for depreciation, operations, and maintenance as allowed by law that are related to transportation of product the entities do not own.

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

Methodology

The estimate is based on information in the Comptroller's franchise tax data files on taxable entities engaged in water transportation and taxable entities engaged in the transportation of oil and natural gas through pipelines.

Local Government Impact

No fiscal implication to units of local government is anticipated.

Source Agencies: 304 Comptroller of Public Accounts

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