

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 83RD LEGISLATIVE REGULAR SESSION
Revision 1

April 2, 2013

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

FROM: Ursula Parks, Director, Legislative Budget Board

IN RE: **HB1397** by Fletcher (Relating to exempting the first \$1 million from total revenue for purposes of the franchise tax.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for HB1397, 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 (\$1,135,534,000) 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	(\$566,605,000)
2015	(\$568,929,000)
2016	(\$579,608,000)
2017	(\$569,326,000)
2018	(\$564,671,000)

Fiscal Analysis

The bill would amend Chapter 171 of the Tax Code, regarding the franchise tax, to add a

deduction from total revenue of \$1 million for all taxable entities.

The bill would provide that only one member of a combined group would be allowed the deduction. The bill would provide that the amount of the deduction from total revenue be adjusted by the percentage change in the consumer price index during the preceding biennium and rounded to the nearest \$10,000. The bill would delete or repeal portions of Chapter 171 relating to the amount of total revenue a taxable entity could have and owe no franchise tax, the provisions relating to discounts for taxable entities with total revenue of less than \$900,000, and the adjustments of those amounts by the change in the consumer price index.

Except as otherwise provided in the bill, the bill would take effect on January 1, 2014, and apply to reports due on or after that date.

Methodology

The estimated fiscal impact is based on the Comptroller's franchise tax data files.

Technology

The Comptroller 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