

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 83RD LEGISLATIVE REGULAR SESSION

March 17, 2013

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

FROM: Ursula Parks, Director, Legislative Budget Board

IN RE: HB1475 by Hilderbran (Relating to the exclusion of certain flow-through payments related to petroleum and mineral interests in determining total revenue for purposes of the franchise tax.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for HB1475, 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 (\$18,233,000) 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	(\$9,098,000)
2015	(\$9,135,000)
2016	(\$9,306,000)
2017	(\$9,141,000)
2018	(\$9,067,000)

Fiscal Analysis

The bill would amend Chapter 171 of the Tax Code, regarding the franchise tax.

The bill would add a provision to Section 171.1011(g), which deals with exclusions from total revenue for calculating the franchise tax, to require a taxable entity to exclude from total revenue subcontracting payments made to individuals for services related to the acquisition of petroleum interests or the performance of title or contract functions related to the exploration, exploitation, or disposition of petroleum or mineral interests.

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

Methodology

The language in the bill is broad in scope and terms such as "management of petroleum interest" or "contract functions related to the exploration, exploitation or dispositions of petroleum or mineral interest" could include a large number of businesses that serve the oil and gas service industry. The bill would give these businesses additional exclusions from total revenue in computing franchise tax liability.

The estimated fiscal impact is based on franchise tax data for taxable entities classified as providing support activities for the oil and gas industry.

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