

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 83RD LEGISLATIVE REGULAR SESSION

April 12, 2013

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

FROM: Ursula Parks, Director, Legislative Budget Board

IN RE: **HB1735** by Hilderbran (relating to the exclusion of certain taxable entities from a combined group for purposes of the franchise tax.), **Committee Report 1st House, Substituted**

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| No significant fiscal implication to the State is anticipated. |
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This bill would amend Chapter 171 of the Tax Code, regarding the franchise tax, by prohibiting a taxable entity that provides retail or wholesale electric utilities being included as a member in a combined group under certain conditions. The conditions would include that in the absence of the exclusion of the taxable entity that provides retail or wholesale electric utilities, the combined group would not qualify as being primarily engaged in wholesale or retail trade, and that the entity providing wholesale or retail electric utilities would have less than five percent of the combined group's total revenue from providing wholesale or retail electric utilities.

Under the bill's provisions a combined group otherwise qualified as primarily engaged in retail or wholesale trade would not lose that qualification because an affiliate of the group provides retail or wholesale electric utilities because that affiliate would be excluded from the combined group for franchise tax reporting. The analysis assumes that the combined group would have a tax rate of one-half percent on taxable margin and the affiliate providing retail or wholesale electric utilities would have a tax rate of one percent on taxable margin.

This bill would take effect September 1, 2013.

Local Government Impact

No fiscal implication to units of local government is anticipated.

Source Agencies: 304 Comptroller of Public Accounts

LBB Staff: UP, KK