

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 83RD LEGISLATIVE REGULAR SESSION

March 28, 2013

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

FROM: Ursula Parks, Director, Legislative Budget Board

IN RE: HB2168 by Hilderbran (Relating to exempting the first \$1 million from the total revenue of certain taxable entities for purposes of the franchise tax.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for HB2168, 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 (\$988,450,000) 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	(\$493,214,000)
2015	(\$495,236,000)
2016	(\$504,533,000)
2017	(\$495,582,000)
2018	(\$491,531,000)

Fiscal Analysis

The bill would amend Chapter 171 of the Tax Code, regarding the franchise tax, by providing a subtraction from total revenue to certain taxable entities for the calculation of franchise tax

liability. A taxable entity with not more than \$20 million in total revenue prior to the subtraction provided in the bill would subtract \$1 million from its total revenue. For a taxable entity that is a combined group that meets the bill's revenue requirement the bill restricts the \$1 million subtraction to only one member of the combined group. The bill would delete or repeal portions of Chapter 171 related to the provision in current law that specifies a level of total revenue below which a taxable entity would owe no tax.

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

Methodology

The estimated fiscal impact is based on franchise data for taxpayer with not more than \$20 million in total revenue.

Technology

The Comptroller indicates there would be a technology cost of \$73,000 in fiscal 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