

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: HB2583 by Harper-Brown (Relating to decreasing the rates of the franchise tax.), As Introduced

Estimated Two-year Net Impact to General Revenue Related Funds for HB2583, 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 (\$2,568,986,000) 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	(\$1,281,865,000)
2015	(\$1,287,121,000)
2016	(\$1,311,281,000)
2017	(\$1,288,020,000)
2018	(\$1,277,490,000)

Fiscal Analysis

The bill would amend Chapter 171 of the Tax Code, regarding the franchise tax, by reducing two tax rates. The tax rate for taxable entities not engaged in retail or wholesale trade would be

reduced to 0.75 percent from 1.0 percent. The tax rate for taxable entities primarily engaged in retail of wholesale trade would be reduced to 0.25 percent from 0.5 percent.

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

Methodology

The estimate is based on the Comptroller's franchise tax databases. Although the tax rate for taxable entities electing the EZ calculation was not changed, the reduction in the 1.0 percent rate to 0.75 percent would imply that the tax rate for current EZ filers would decline from 0.575 percent to 0.525 percent.

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