

**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:** **HB2584** by Harper-Brown (Relating to the \$1 million total revenue exemption for the franchise tax; decreasing the rates of the franchise tax.), **As Introduced**

**Estimated Two-year Net Impact to General Revenue Related Funds** for HB2584, 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 (\$2,688,561,000) 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:**

<b>Fiscal Year</b>	<b>Probable Net Positive/(Negative) Impact to General Revenue Related Funds</b>
2014	\$0
2015	\$0
2016	\$0
2017	\$0
2018	\$0

**All Funds, Five-Year Impact:**

<b>Fiscal Year</b>	<b>Probable Revenue (Loss) from Property Tax Relief Fund 304</b>
2014	(\$1,341,530,000)
2015	(\$1,347,031,000)
2016	(\$1,372,315,000)
2017	(\$1,347,971,000)
2018	(\$1,336,951,000)

**Fiscal Analysis**

The bill would amend Chapter 171 of the Tax Code, regarding the franchise tax, by reducing some tax rates and establishing a level of \$1 million or less in total revenue at which at taxable entity

would owe no tax. The tax rate for taxable entities not engaged in wholesale or retail trade would be reduced to 0.75 percent from 1.0 percent. The tax rate for taxable entities primarily engaged in wholesale or retail trade would be reduced to 0.25 percent from 0.50 percent.

The bill would repeal sections of law that would set the total revenue level for not owing tax to \$600 thousand beginning with reports due in 2014. The bill would also repeal sections of Chapter 171 dealing with discounts from tax for taxable entities with total revenue of \$900 thousand or less. The bill would delete references to the section on discounts from the section regarding adjustment by the change in the consumer price index.

The the sections repealed would be repealed on September 1, 2013. The other provisions of the bill to take effect on January 1, 2014, and apply to reports due on or after that date.

### **Methodology**

The estimate fiscal impact 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