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: **HB3109** by Hilderbran (Relating to the E-Z computation and rate of the franchise tax and exempting the first $1 million from the total revenue of certain taxable entities.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for HB3109, 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 ($1,090,565,000) 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	($544,167,000)
2015	($546,398,000)
2016	($556,655,000)
2017	($545,780,000)
2018	($542,310,000)

Fiscal Analysis

The bill would amend Chapter 171 of the Tax Code, regarding the franchise tax, by providing a subtraction from total revenue for certain taxable entities and by changing the eligibility requirements and tax rate for the EZ calculation. A taxable entity whose total revenue is not more than $20 million as calculated under current law would subtract $1 million from that amount to calculate franchise tax liability. The bill would allow a taxable entity with not more than $20 million in total revenue to elect the EZ calculation for determining franchise tax liability. Under current law taxable entities with not more $10 million in total revenue may elect the EZ calculation. The bill would change the tax rate under the EZ calculation to 0.48 percent from the current rate of 0.575 percent.

The bill would repeal or delete portions of Chapter 171 related to the total revenue amount below which a taxable entity owes no tax. The additional subtraction from total revenue contained in the bill would make the repealed or deleted portions have no affect on tax liability.

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

Methodology

The estimated fiscal impact of the bill is based on franchise tax return data on taxable entities with total revenue of $20 million or less.

Technology

The Comptroller indicates there would be a one-time technology cost of $292,000.00 in fiscal year 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