

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 83RD LEGISLATIVE REGULAR SESSION

March 25, 2013

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

FROM: Ursula Parks, Director, Legislative Budget Board

IN RE: HB3388 by Hilderbran (Relating to the computation of costs of goods sold for purposes of the franchise tax by certain taxable entities engaged in film or television exhibition.),
As Introduced

Estimated Two-year Net Impact to General Revenue Related Funds for HB3388, 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 (\$39,757,000) 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	(\$19,838,000)
2015	(\$19,919,000)
2016	(\$20,293,000)
2017	(\$19,933,000)
2018	(\$19,770,000)

Fiscal Analysis

The bill would amend Chapter 171 of the Tax Code, regarding the franchise tax, to add

"exhibition" to the list of principal business activities that would qualify a taxable entity to use the cost of goods sold provision of Section 171.1012(o). The list in current law includes film or television production or broadcasting or distribution of films, sound recordings, video tapes, live and prerecorded television and radio programs, books and other similar property. The cost of goods sold for these taxable entities includes depreciation, amortization, and other expenses directly related to the acquisition, production, or use of the property, including expenses for the right to broadcast or use the property. The bill would add "exhibition" to the activities list and "exhibit" to the expenses list.

The bill would take effect on September 1, 2013.

Methodology

The main categories of exhibitors in the context of this bill are movie theaters, cable television providers, and satellite television services. The bill would allow taxable entities in this group to calculate cost of goods sold based on Section 171.1012(o). The estimated fiscal impact of the bill was based on information on taxable entities from these industries in the Comptroller's franchise tax data base.

The bill states it is a clarification of current law. The bill's provisions, however, would extend cost of goods sold deductibility to firms not authorized in current law to use such deductions.

Local Government Impact

No fiscal implication to units of local government is anticipated.

Source Agencies: 304 Comptroller of Public Accounts

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