

**LEGISLATIVE BUDGET BOARD**  
**Austin, Texas**

**FISCAL NOTE, 83RD LEGISLATIVE REGULAR SESSION**

**March 21, 2013**

**TO:** Honorable Tommy Williams, Chair, Senate Committee On Finance

**FROM:** Ursula Parks, Director, Legislative Budget Board

**IN RE: SB140** by Ellis (Relating to a periodic review and expiration dates of state and local tax preferences.), **As Introduced**

**Estimated Two-year Net Impact to General Revenue Related Funds** for SB140, As Introduced: a negative impact of (\$1,099,882) through the biennium ending August 31, 2015.

The bill would make no appropriation but could provide the legal basis for an appropriation of funds to implement the provisions of the bill.

**General Revenue-Related Funds, Five-Year Impact:**

<b>Fiscal Year</b>	<b>Probable Net Positive/(Negative) Impact to General Revenue Related Funds</b>
2014	(\$685,635)
2015	(\$414,247)
2016	(\$638,571)
2017	(\$414,247)
2018	(\$638,571)

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

<b>Fiscal Year</b>	<b>Probable (Cost) from General Revenue Fund 1</b>	<b>Change in Number of State Employees from FY 2013</b>
2014	(\$685,635)	10.0
2015	(\$414,247)	6.0
2016	(\$638,571)	10.0
2017	(\$414,247)	6.0
2018	(\$638,571)	10.0

**Fiscal Analysis**

The bill would add Chapter 320A to the Government Code creating the Review of State and Local Tax Preferences.

The bill would require the Comptroller of Public Accounts (CPA) to develop and subsequently modify the State and Local Tax Preference Schedule (SLTPS). The SLTPS would identify state and local tax preference and schedule each preference for review once every 6 years. The CPA would revise the SLTPS every biennium and submit the SLTPS to the Legislative Budget Board (LBB) not later than December 1st of each odd numbered year.

The LBB would be required to review each tax preference in the SLTPS. For each preference the LBB would determine the purpose of the preference and evaluate whether the preference accomplishes its purpose, whether the preference is inefficient or unnecessary, and the effect of the tax preference on economic development, the number of high-wage jobs, funding for public services, the distribution of the tax burden by income class and industry or business class, and total income by income class in the state.

The LBB would be required to submit a preliminary report on the reviews of tax preferences by September 1st of each even numbered year to Senate Finance Committee (SFC) and the House Ways and Means Committee (WAM). The report would be required to contain draft legislation for any recommendations contained in the report.

Not later than December 1st of each even numbered year SFC and WAM would be required to submit a final report containing, for each preference in the SLTPS, a recommendation on whether to continue, amend, or repeal the preference. The report must also include any deviations from the preliminary LBB report and the reason for the deviation.

The bill would give a sunset date of 6 years for each tax preference enacted after September 1, 2014 unless the Legislature provides for an earlier or later expiration date.

The bill would take effect January 1, 2014 if the corresponding constitutional amendment was approved by a majority of voters of the state of Texas. If the constitutional amendment was not approved the bill would not take effect.

### **Methodology**

The General Revenue costs reflect the funds needed for the LBB to hire an estimated 4 full-time FTEs and an additional 4 FTEs during even numbered years to complete the Review of State and Local Tax Preferences. This analysis assumes the Comptroller would need 2 FTEs to fulfill their obligations.

### **Technology**

A one-time technology cost of \$47,064 would be required in fiscal year 2014.

### **Local Government Impact**

No fiscal implication to units of local government is anticipated.

### **Source Agencies:**

**LBB Staff:** UP, KK, SD