

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 83RD LEGISLATIVE REGULAR SESSION

April 17, 2013

TO: Honorable Tommy Williams, Chair, Senate Committee on Finance

FROM: Ursula Parks, Director, Legislative Budget Board

IN RE: SB781 by Hinojosa (Relating to the exclusion of certain transportation services costs in determining total revenue for purposes of the franchise tax.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for SB781, 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 (\$4,688,000) 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	(\$2,339,000)
2015	(\$2,349,000)
2016	(\$2,393,000)
2017	(\$2,351,000)
2018	(\$2,331,000)

Fiscal Analysis

The bill would amend Chapter 171 of the Tax Code, regarding the franchise tax, to add an exclusion from total revenue for certain taxable entities primarily engaged in transporting

commodities by waterways. The exclusion would apply to taxable entities that do not subtract cost of goods sold from total revenue in computing taxable margin. The exclusion would be for the direct costs of providing inbound and outbound transportation services by intrastate or interstate waterways to the same extent a taxable entity selling real or tangible personal property would be authorized to subtract those costs as costs of goods sold.

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

Methodology

The estimate is based on information in the Comptroller's franchise tax data files on taxable entities engaged in water transportation and on an estimate of the additional subtractions the bill would provide taxable entities that currently do not subtract cost of goods sold to calculate franchise tax liability.

Local Government Impact

No fiscal implication to units of local government is anticipated.

Source Agencies: 304 Comptroller of Public Accounts

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