

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 84TH LEGISLATIVE REGULAR SESSION

April 13, 2015

TO: Honorable Dennis Bonnen, Chair, House Committee on Ways & Means

FROM: Ursula Parks, Director, Legislative Budget Board

IN RE: HB83 by White, James (Relating to the computation of cost of goods sold for purposes of the franchise tax by taxable entities primarily engaged in the business of harvesting trees for wood.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for HB83, As Introduced: an impact of \$0 through the biennium ending August 31, 2017.

However, the bill will have a direct impact of a revenue loss to the Property Tax Relief Fund of (\$4,250,000) for the 2016-17 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
2016	\$0
2017	\$0
2018	\$0
2019	\$0
2020	\$0

All Funds, Five-Year Impact:

Fiscal Year	Probable Revenue (Loss) from Property Tax Relief Fund 304
2016	(\$2,100,000)
2017	(\$2,150,000)
2018	(\$2,200,000)
2019	(\$2,250,000)
2020	(\$2,300,000)

Fiscal Analysis

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

entities primarily engaged in harvesting trees for wood to subtract certain costs as cost of goods sold in determining taxable margin for the franchise tax. The bill would provide that the subtractions would be allowed notwithstanding Section 171.1012(i) which requires a taxable entity to own the goods for which a cost of good sold subtraction is taken.

The subtraction would be for the specified direct costs of acquiring or producing the timber for wood regardless of whether the taxable entity owns the land from which the trees are harvested, the harvested timber, or the wood resulting from the harvested timber. The specified costs would include:

- I. moving harvesting equipment;
- II. severing timber;
- III. transporting timber;
- IV. obtaining, using, storing, or maintaining equipment necessary to accomplish I, II, or III; and
- V. other supplies, labor, freight, and fuel necessary to accomplish I, II, or III.

The bill would take effect on January 1, 2016, and apply to reports due on or after that date.

Methodology

The estimated fiscal impact is based on information in the Comptroller's franchise databases for taxable entities in the timber and logging industry.

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