

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 84TH LEGISLATIVE REGULAR SESSION

May 4, 2015

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

FROM: Ursula Parks, Director, Legislative Budget Board

IN RE: HB722 by Clardy (Relating to a franchise tax credit for entities offering internships to certain high school students.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for HB722, As Introduced: an impact of \$0 through the biennium ending August 31, 2017.

Additionally, the bill will have a direct impact of a revenue loss to the Property Tax Relief Fund of (\$2,850,000) 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	\$0
2017	(\$2,850,000)
2018	(\$2,993,000)
2019	(\$3,000,000)
2020	(\$300,000)

Fiscal Analysis

The bill would amend Chapter 171 of the Tax Code, regarding the franchise tax, a to add new Subchapter N to establish a franchise tax credit for providing internships to certain students. A

taxable entity would earn a credit if it offers an internship which lasts at least six weeks to a student who is enrolled in a career and technology education course at a high school campus that is assigned a performance rating of at least recognized under Section 39.054 of the Education Code and the student completes the internship during the period on which a tax report is based. The amount of credit would be \$1,000, regardless of whether more than one internship is offered by the taxable entity and completed during the period on which a tax report is based. The amount of credit applied, including any carryforward, may not exceed the amount of franchise tax due for the report after all other credit applicable tax credits. The credit could not be conveyed or transferred to another entity unless all of the assets of the taxable entity are conveyed or transferred in the same transaction. Credits that could not be applied because of the limitation may be carried forward for not more than three consecutive reports.

The Comptroller would adopt rules necessary to implement the credit.

The provisions of the bill would expire December 31, 2019.

The bill would take effect January 1, 2016. Credit for an internship could be earned only for an internship that is completed on or after the effective date of the bill.

Methodology

There would be no fiscal impact in 2016 since an internship completed after the effective date of the bill would be claimed on a report due in 2017 or later. The fiscal impact for years 2017 to 2020 is based on information "The High School Careers Study" prepared by Millennial Branding and Internships.com, and on information from the State of Florida regarding the "Florida Student Intern Program."

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