

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: HB1634 by Romero, Jr. (Relating to a franchise tax credit for certain taxable entities offering postsecondary tuition assistance.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for HB1634, 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 (\$2,995,000) 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	(\$1,484,000)
2017	(\$1,511,000)
2018	(\$1,505,000)
2019	(\$1,533,000)
2020	(\$1,555,000)

Fiscal Analysis

The bill would amend Chapter 171 of the Tax Code, regarding the franchise tax, to add new Subchapter V to establish a tax credit for certain entities that provide tuition assistance. To be

eligible for a credit, a taxable entity would have to provide tuition assistance for an employee attending a postsecondary educational institution, be located in a neighborhood empowerment zone as defined in the Local Government Code and have less than \$10 million in total revenue from its entire business. The amount of credit for a period is the lesser of the amount of tuition assistance provided to all employees during the period and \$5,000. The credit for a period could not exceed the amount of franchise tax due for the report after all other applicable credits. The taxable entity could not assign or transfer the credit unless all assets of the taxable entity are transferred in the same transaction.

The Comptroller would be required to adopt a form and rules to implement the credit.

The provisions of the bill would expire on December 31, 2020.

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

Methodology

The term "located" could have multiple meanings. The meaning could range from having any presence at all such as an outlet or sales office to being the entity's primary business location.

Neighborhood Empowerment Zones are locally implemented and administered. There is no statewide registry. The estimated fiscal impact assumes that five percent of taxable entities domiciled in Texas with total revenue under \$10 million are "located" in a Neighbor Empowerment Zone and that ten percent of those would earn a credit each year of the lesser of \$5,000 or the franchise tax due.

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