

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: HB2637 by Parker (Relating to apportionment of margin from receipts from the sale of locomotives for purposes of the franchise tax.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for HB2637, 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 (\$660,000) 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	(\$327,000)
2017	(\$333,000)
2018	(\$340,000)
2019	(\$347,000)
2020	(\$354,000)

Fiscal Analysis

The bill would amend Chapter 171 of the Tax Code, regarding the franchise tax, by adding new Subsection Section 171.106(h) which deals with apportionment of margin to this state. The new

subsection would specify that a taxable entity's margin derived from the sale of locomotives sold for use in interstate commerce is apportioned to this state by multiplying the entities total margin from such sales by a fraction the numerator of which is the number of miles of railway track in this state and the denominator is the number of miles of railway track in the United States. The bill would define "locomotive".

Under current law the apportionment of margin is based on a fraction where the numerator is the entity's receipts in this state and the denominator is receipts from the entity's total business.

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

Methodology

The number of track miles in Texas was taken from information in the Texas Almanac and the number of track miles in the United States was taken from the 2013 Report Card for America's Infrastructure. The ratio of the two was applied to the margin of locomotive manufactures and the change in tax liability was calculated.

Local Government Impact

No fiscal implication to units of local government is anticipated.

Source Agencies: 304 Comptroller of Public Accounts

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