

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: HB2891 by Otto (Relating to certain reporting requirements for taxable entities.), As Introduced

Estimated Two-year Net Impact to General Revenue Related Funds for HB2891, As Introduced: a negative impact of (\$4,775,040) through the biennium ending August 31, 2017.

The bill would make no appropriation but could provide the legal basis for an appropriation of funds to implement the provisions of the bill.

General Revenue-Related Funds, Five-Year Impact:

Fiscal Year	Probable Net Positive/(Negative) Impact to General Revenue Related Funds
2016	(\$2,387,520)
2017	(\$2,387,520)
2018	(\$2,387,520)
2019	(\$664,355)
2020	(\$664,355)

All Funds, Five-Year Impact:

Fiscal Year	Probable Savings/(Cost) from General Revenue Fund
	1
2016	(\$2,387,520)
2017	(\$2,387,520)
2018	(\$2,387,520)
2019	(\$664,355)
2020	(\$664,355)

Fiscal Analysis

The bill would amend the Business Organizations Code and Tax Code to change the reporting requirements of certain partnerships and associations.

Under the provisions of the bill, the SOS indicates the fiscal impact to the agency would be

\$2,387,520 in each fiscal year from 2016-2018, and \$664,355 each fiscal year from 2019-2020. SOS anticipates any costs related to implementing the provisions of the bill could be absorbed within existing resources.

The bill would take effect on September 1, 2015.

Methodology

Limited partnerships are required to file a periodic report with the SOS over a seven year cycle: a three-year reporting period followed by a four-year waiting period. The beginning of the next three-year reporting period is fiscal year 2016. The filing fee for this report is \$50. As of December 1, 2014, there were 119,960 affected limited partnerships in Texas, or 39,987 entities per year for a three-year reporting period. According to the SOS, only 87 percent of affected limited partnerships file the periodic report, or 34,788 entities per year. Under the provisions of the bill, affected limited partnerships would no longer file this periodic report and pay the associated fee. Therefore, the SOS estimates a loss to General Revenue of \$1,739,400 in each fiscal year from 2016-2018.

Professional associations are required to file an annual statement with the SOS, with a filing fee of \$35. As of December 1, 2014, there were 17,868 professional associations in Texas, all of which the SOS anticipates to be affected. Under the provisions of the bill, professional associations would not be required to file an annual statement and pay the associated fee. Therefore, the SOS estimates a loss to General Revenue of \$625,380 in each fiscal year from 2016-2020.

Under the provisions of the bill, each limited partnership and professional association would be required to file a public information report (PIR) with the Comptroller. The SOS contracts with a third-party to process PIRs at a cost of \$0.31 per page. The SOS anticipates each PIR to consist of only one page. The SOS estimates a cost to General Revenue of \$42,727 in each fiscal year from 2016-2020.

The SOS spends \$0.406 on postage to send out periodic report notices to affected limited partnerships. Under the provisions of the bill, the SOS would no longer be required to send these notices. The SOS estimates a savings to General Revenue of \$14,124 in each fiscal year from 2016-2018.

The SOS spends \$0.21 on postage to send out annual statement notices to professional associations. Under the provisions of the bill, the SOS would no longer be required to send these notices. The SOS estimates a savings to General Revenue of \$3,752 in each fiscal year from 2016-2020.

Local Government Impact

No significant fiscal implication to units of local government is anticipated.

Source Agencies: 307 Secretary of State

LBB Staff: UP, KK, EP, CM