

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 84TH LEGISLATIVE REGULAR SESSION

May 22, 2015

TO: Honorable Jane Nelson, Chair, Senate Committee on Finance

FROM: Ursula Parks, Director, Legislative Budget Board

IN RE: **HB2896** by Parker (relating to apportionment of certain receipts of a broadcaster under the franchise tax.), **Committee Report 2nd House, Substituted**

Estimated Two-year Net Impact to General Revenue Related Funds for HB2896, Committee Report 2nd House, Substituted: 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 (\$6,211,000) beginning in the 2018-19 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	\$0
2018	(\$3,077,000)
2019	(\$3,134,000)
2020	(\$3,179,000)

Fiscal Analysis

The bill would amend Chapter 171 of the Tax Code, regarding the franchise tax, to specify receipts to be included in the numerator of the apportionment factor for certain taxable entities. A

taxable entity that is a broadcaster would include in the numerator receipts arising from licensing income from broadcasting or otherwise distributing film programming by any means only if the legal domicile of the broadcaster's customer is in this state.

The bill would define "broadcaster," "customer," "film programming" and "programming."

The bill would take effect on January 1, 2018, and apply to a report due on or after that date.

Methodology

Under current law, the receipt from a license to use a copyright is a receipt in this state if the copyrighted material is used in this state. For broadcasting the use of the copyright for the broadcast is treated as occurring where the consumer views, hears, or otherwise benefits from the broadcast. This bill would source the receipt based on the legal domicile of the customer who, by the definition in the bill, has a direct connection or contractual relationship with the broadcaster. The legal domicile of a corporation or limited liability company is the state of formation. The legal domicile of a partnership, trust, or joint venture is the principal place of business of the partnership, trust, or joint venture. The principal place of business of a partnership, trust, or joint venture is the location of its day-to-day operations.

The estimated fiscal impact is based on information from the Comptroller's franchise tax data files on broadcaster and information provided by the Motion Picture Association of America.

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