

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 84TH LEGISLATIVE REGULAR SESSION

April 20, 2015

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

FROM: Ursula Parks, Director, Legislative Budget Board

IN RE: SB80 by Ellis (Relating to a periodic review of state and local tax preferences.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for SB80, As Introduced: a negative impact of (\$954,858) 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	(\$477,429)
2017	(\$477,429)
2018	(\$477,429)
2019	(\$477,429)
2020	(\$477,429)

All Funds, Five-Year Impact:

Fiscal Year	Probable (Cost) from General Revenue Fund 1	Change in Number of State Employees from FY 2013
2016	(\$477,429)	6.0
2017	(\$477,429)	6.0
2018	(\$477,429)	6.0
2019	(\$477,429)	6.0
2020	(\$477,429)	6.0

Fiscal Analysis

The bill would add new Chapter 320A to the Government Code to provide for a periodic review of state and local tax preferences.

The bill would provide that the Comptroller develop a state and local tax preference review

schedule. The Comptroller would 1) identify each state and local tax preference; 2) develop a state and local tax preference review schedule under which each identified tax preference is reviewed once during each 12 year period; and 3) specifically identify on the schedule each of the tax preferences the Legislative Budget Board must review. The Comptroller also would provide a process by which the public may comment on the review schedule, and not later than December 1st of each odd-numbered year provide the review schedule to the Legislative Budget Board.

The Legislative Budget Board would periodically review each state and local tax preference according to the review schedule. The board would 1) summarize the legislative history of the tax preference; 2) estimate the amount of tax revenue attributable to the tax preference during the preceding 12-year period; 3) determine the effect of the tax preference on the distribution of the tax burden by income class and industry or business class during the preceding 12-year period; and 4) for a tax preference that reduces by more than 1 percent the total revenue of the related state or local tax evaluate the fiscal impact of the tax preference during the preceding and following 12-year periods based on a cost-benefit analysis of the general effects of the tax preference on the overall state economy.

The Legislative Budget Board would provide a report on tax preferences to the Legislature no later than September 1st of each even-numbered year.

This bill would take effect January 1, 2016.

Methodology

The General Revenue costs reflect the funds needed for the LBB to hire 4 full-time FTEs to complete the Review of State and Local Tax Preferences. This analysis assumes the Comptroller would need to hire 2 full-time FTEs to fulfill their obligations.

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