

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 84TH LEGISLATIVE REGULAR SESSION

March 2, 2015

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

FROM: Ursula Parks, Director, Legislative Budget Board

IN RE: SB186 by Creighton (Relating to the franchise tax and alternative revenue sources and spending priorities for this state; repealing the franchise tax.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for SB186, As Introduced: a negative impact of (\$1,300,000) through the biennium ending August 31, 2017.

For the year ending August 31, 2020, the estimated net impact to General Revenue Related Funds is a negative (\$2,895,089,000) and to the Property Tax Relief Fund a negative (\$1,646,540,000). Under current law, a reduction to the PTRF would result in an equal increase in appropriations from General Revenue to fund the Foundation School Program.

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	(\$650,000)
2017	(\$650,000)
2018	\$0
2019	\$0
2020	(\$2,895,089,000)

All Funds, Five-Year Impact:

Fiscal Year	Probable (Cost) from <i>General Revenue Fund</i> 1	Probable Revenue (Loss) from <i>General Revenue Fund</i> 1	Probable Revenue (Loss) from <i>Property Tax Relief</i> <i>Fund</i> 304	Change in Number of State Employees from FY 2015
2016	(\$650,000)	\$0	\$0	7.0
2017	(\$650,000)	\$0	\$0	7.0
2018	\$0	\$0	\$0	7.0
2019	\$0	\$0	\$0	7.0
2020	\$0	(\$2,895,089,000)	(\$1,646,540,000)	7.0

Fiscal Analysis

The bill would direct the Comptroller to conduct a comprehensive study that would (1) analyze and compare revenue alternatives to the franchise tax including seven specific revenue-generating methods listed in the bill and any other method the Comptroller considers potentially effective in addressing the state's revenue needs; (2) prioritize the revenue needs of this state; and (3) identify potential reductions in state expenditures. The Comptroller would be required to submit a report with the results from the study to the Legislature not later than November 1, 2016, to include identifying one or more revenue generating methods that would effectively meet the state's revenue needs; describing any legislation needed to implement the identified revenue methods; specifying reductions in state expenditures; and proposing any legislation needed to implement those expenditure reductions. For purposes of this estimate, it is assumed that the agency would employ staff solely for the duration and subsequent legislative support of the study and would then eliminate the positions. If the positions were retained, out year costs would be commensurately higher.

The bill would repeal Chapter 171 of the Tax Code, regarding the franchise tax, effective January 1, 2020. The repeal of franchise tax would not affect the tax liability accruing before the effective date of the bill. Former law would be continued in effect for the collection of taxes due and for civil and criminal enforcement of the liability for those taxes.

The bill would take effect September 1, 2015.

Methodology

The estimated impact of the repeal of Chapter 171 of the Tax Code is based on the 2016-2017 *Biennial Revenue Estimate*.

The Comptroller of Public accounts would need to hire an additional 7 FTEs to conduct the study prescribed by the bill.

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