

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 85TH LEGISLATIVE REGULAR SESSION

March 5, 2017

TO: Honorable Dennis Bonnen, Chair, House Committee on Ways & Means

FROM: Ursula Parks, Director, Legislative Budget Board

IN RE: HB423 by Wray (Relating to the computation of cost of goods sold for purposes of the franchise tax by taxable entities that transport ready-mixed concrete.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for HB423, As Introduced: an impact of \$0 through the biennium ending August 31, 2019.

Additionally, the bill will have a direct impact of a revenue loss to the Property Tax Relief Fund of (\$2,054,000) for 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
2018	\$0
2019	\$0
2020	\$0
2021	\$0
2022	\$0

All Funds, Five-Year Impact:

Fiscal Year	Probable Revenue (Loss) from Property Tax Relief Fund
2018	304 (\$1,015,000)
2019	304 (\$1,039,000)
2020	304 (\$1,067,000)
2021	304 (\$1,093,000)
2022	304 (\$1,120,000)

Fiscal Analysis

The bill would amend Chapter 171 of the Tax Code, regarding the franchise tax, to add a provision for determining cost of goods sold for taxable entities that transport ready-mixed concrete. The

added provision would allow such taxable entities to subtract as a cost of good sold distribution costs regardless of whether the taxable entities own the ready-mixed concrete. Current law in Section 171.1012(e)(3) excludes distribution costs from cost of goods sold. This bill would provide an exception to that provision for taxable entities that transport ready-mixed concrete.

The bill would tax effect on January 1, 2018 and apply to reports due on or after that date.

Methodology

The estimated tax revenue loss is based on information from the Texas Aggregates & Concrete Association and on the Comptroller's franchise tax data bases.

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