

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 85TH LEGISLATIVE REGULAR SESSION

March 28, 2017

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

FROM: Ursula Parks, Director, Legislative Budget Board

IN RE: HB1052 by Schubert (Relating to the repeal of the franchise tax.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for HB1052, As Introduced: a negative impact of (\$2,994,375,000) through the biennium ending August 31, 2019.

Additionally, the bill is estimated to have a direct impact of a revenue loss to the Property Tax Relief Fund of (\$924,099,000) 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	(\$2,994,375,000)
2020	(\$3,069,188,000)
2021	(\$3,144,384,000)
2022	(\$3,222,992,000)

All Funds, Five-Year Impact:

Fiscal Year	Probable Revenue (Loss) from General Revenue Fund 1	Probable Revenue (Loss) from Property Tax Relief Fund 304
2018	\$0	\$0
2019	(\$2,994,375,000)	(\$924,099,000)
2020	(\$3,069,188,000)	(\$951,829,000)
2021	(\$3,144,384,000)	(\$975,049,000)
2022	(\$3,222,992,000)	(\$999,525,000)

Fiscal Analysis

The bill would repeal Chapter 171 of the Tax Code, the franchise tax, effective January 1, 2018.

A taxable entity subject to the franchise tax on December 31, 2017 would be required to file a

final franchise tax report and pay a transitional tax on or before May 15, 2018. The transitional tax is equal to the tax the taxable entity would have paid in 2018 if the franchise tax had not been repealed. The franchise tax provisions in effect on December 31, 2017 relating to the computation and payment of the tax would remain in effect for the transitional tax.

Administrative and legal provisions of Chapter 171, and Subtitle B of Title 2 of the Tax Code, would remain in effect until barred by limitations.

The bill would take effect on January 1, 2018.

Methodology

The estimated fiscal impact is based on the Comptroller's 2018-19 *Biennial Revenue Estimate*.

As drafted, the saving provisions in this bill do not include retaining Section 171.206 which provides confidentiality for roughly four million franchise tax reports and related records. If all existing franchise tax records become public, we anticipate considerable public interest in obtaining this previously unavailable information which would require additional staff to support our Open Records Division.

If the franchise tax records remain confidential, there would be no administrative costs to the Comptroller's Office.

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