

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 85TH LEGISLATIVE REGULAR SESSION

March 7, 2017

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

FROM: Ursula Parks, Director, Legislative Budget Board

IN RE: HB1108 by Parker (Relating to apportionment of margin from receipts from the sale of locomotives for purposes of the franchise tax.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for HB1108, 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 (\$1,838,000) 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
	304
2018	(\$908,000)
2019	(\$930,000)
2020	(\$954,000)
2021	(\$978,000)
2022	(\$1,002,000)

Fiscal Analysis

The bill would amend Chapter 171 of the Tax Code, regarding the franchise tax, by adding new Subsection Section 171.106(i) which deals with apportionment of margin to this state. The new

subsection would specify that a taxable entity's receipts derived from the sale of locomotives sold for use in interstate commerce are receipts from business done in this state as determined by multiplying the entity's total receipts from such sales by a fraction the numerator of which is the number of miles of railway track in this state and the denominator is the number of miles of railway track in the U.S. The bill would define "locomotive".

Under current law the apportionment of margin is based on a fraction where the numerator is the entity's receipts in this state and the denominator is receipts from the entity's total business.

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

Methodology

The estimated fiscal impact is based on information regarding a major locomotive manufacturer in Texas, data on track miles in the U.S. and in Texas and the average price of a locomotive from Trainorders.com. The apportionment factor described in the bill was applied to an estimate of the value of locomotive sales that would be apportioned to Texas in the absence of the bill. The reduction in Texas receipts was applied to the franchise tax data for the locomotive manufacturer and the tax impact calculated.

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