

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 85TH LEGISLATIVE REGULAR SESSION

May 2, 2017

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

FROM: Ursula Parks, Director, Legislative Budget Board

IN RE: HB2250 by Darby (relating to the classification of certain entities as primarily engaged in retail trade for purposes of the franchise tax.), **Committee Report 1st House, Substituted**

Estimated Two-year Net Impact to General Revenue Related Funds for HB2250, Committee Report 1st House, Substituted: 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 (\$2,561,000) 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	\$0
2019	(\$2,561,000)
2020	(\$2,628,000)
2021	(\$2,693,000)
2022	(\$2,760,000)

Fiscal Analysis

The bill would amend Chapter 171 of the Tax Code, regarding the franchise tax, to amend the definition for activities engaged in retail trade for purposes of the franchise tax by including

activities involving the rental of industrial uniforms, industrial garments, and industrial linen supplies that are classified as linen supply and industrial launderers in the 1987 Standard Industrial Classification Manual.

The bill would take effect January 1, 2019.

Methodology

The estimated fiscal impact is based on franchise tax data for taxable entities in the included activities and on the Comptroller's 2018-2019 Biennial Revenue Estimate. Under the bill, taxable entities would calculate their tax liability using the 0.375 percent rate instead of 0.75 percent under current law.

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