

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 85TH LEGISLATIVE REGULAR SESSION

April 10, 2017

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

FROM: Ursula Parks, Director, Legislative Budget Board

IN RE: HB3714 by Hinojosa, Gina (Relating to a franchise tax credit pilot program for taxable entities that contribute to an employee dependent care flexible spending account.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for HB3714, As Introduced: an impact of \$0 through the biennium ending August 31, 2019.

However, the bill will have a direct impact of a revenue loss to the Property Tax Relief Fund of (\$665,000) 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	(\$165,000)
2019	(\$500,000)
2020	\$0
2021	\$0
2022	\$0

Fiscal Analysis

The bill would amend Chapter 171 of the Tax Code, regarding the franchise tax, by adding a

Subchapter P that would provide a tax credit pilot program for employer contributions to dependent care flexible spending accounts.

The bill would define "dependent care flexible spending account" as authorized by the Internal Revenue Code of 1986, as effective on January 1, 2017.

The credit would be available to taxable entities with not more than 500 employees who made contributions to the dependent care flexible spending accounts of each employee who receives an annual salary or wage of not more than \$65,000. The amount of credit in connection with each eligible employee would equal the lesser of 50 percent of the contributions or \$2,500. The total amount of credits allowed for a report would be limited to the amount of franchise tax due after applying all other credits. The credit provisions would expire on December 31, 2019.

The Comptroller would prepare a report not later than September 1, 2020 that evaluates the effect of the pilot program on contributions to dependent care flexible spending accounts.

The bill would take effect on September 1, 2017, and apply to contributions made on or after that date and only to reports due on or after January 1, 2018.

Methodology

The estimated fiscal impact is based on a prior credit program that had a similar goal to the one proposed in this 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