

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 85TH LEGISLATIVE REGULAR SESSION

February 27, 2017

TO: Honorable Jane Nelson, Chair, Senate Committee on Finance

FROM: Ursula Parks, Director, Legislative Budget Board

IN RE: SB575 by Schwertner (Relating to the total revenue exemption for the franchise tax.), As Introduced

Estimated Two-year Net Impact to General Revenue Related Funds for SB575, 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 (\$542,158,000) 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	(\$267,865,000)
2019	(\$274,293,000)
2020	(\$281,471,000)
2021	(\$288,360,000)
2022	(\$295,576,000)

Fiscal Analysis

The bill would amend Chapter 171 of the Tax Code, regarding the franchise tax, by increasing the amount of total revenue below which a taxable entity would owe no tax. The current statutory

level is \$1.1 million after adjustments for inflation; the bill would raise that amount to \$4 million.

The bill would take effect January 1, 2018.

Methodology

The estimated fiscal impact is based on franchise tax liability of taxable entities with total revenue between \$1.1 million and \$4 million.

Local Government Impact

No fiscal implication to units of local government is anticipated.

Source Agencies: 304 Comptroller of Public Accounts

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