LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 86TH LEGISLATIVE REGULAR SESSION

April 30, 2019

TO: Honorable Dustin Burrows, Chair, House Committee on Ways & Means

FROM: John McGeady, Assistant Director   Sarah Keyton, Assistant Director
Legislative Budget Board

IN RE: **HB605** by Thierry (Relating to a franchise tax credit for entities that establish a grocery store or healthy corner store in a food desert.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for HB605, As Introduced: an impact of $0 through the biennium ending August 31, 2021.

Additionally, the bill will have a direct impact of a revenue loss to the Property Tax Relief Fund of ($4,000,000) for the 2020-21 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
2020	$0
2021	$0
2022	$0
2023	$0
2024	$0

All Funds, Five-Year Impact:

Fiscal Year	Probable Revenue (Loss) from *Property Tax Relief Fund* 304
2020	($2,000,000)
2021	($2,000,000)
2022	($2,000,000)
2023	($2,000,000)
2024	($2,000,000)

Fiscal Analysis

The bill would amend Chapter 171 of the Tax Code, regarding the franchise tax, to add new

Subchapter N-1, to add a tax credit for entities that establish a grocery or healthy corner store in a food desert.

A taxable entity would qualify for a credit if, on or after January 1, 2020, the taxable entity opens a grocery or healthy corner store, as defined in the bill, in a food desert in a low or moderate income area, and accepts WIC and supplemental nutrition assistance benefits within 90 days of opening.

The bill would require a taxable entity to request a certificate of eligibility from the Texas Department of Housing and Community Affairs (TDHCA) and would require TDHCA to issue a certificate of eligibility to a taxable entity that qualifies for a credit under this Subchapter. The taxable entity would be required to forward the certificate, along with documentation outlined in the bill, to the Comptroller in order to claim the credit. The bill would allow TDHCA to adopt rules regarding requirements to qualify for the credit.

The amount of the credit would equal five percent of the amount the taxable entity spends to establish the store during the 12-month period that includes the date the store opens for business. Spending qualified for the credit would include spending to purchase or lease the land or building, to construct or remodel, and to furnish and equip the store. The amount of credit for a tax report would be limited to 50 percent of the amount of franchise tax due on a report. A taxable entity could not transfer the credit to another entity; however, a credit that could not be claimed due to the limitation could be carried forward for not more than five consecutive reports.

This bill would take effect on January 1, 2020 and only apply to reports due on or after that date.

Methodology

The estimate is based on an assumption that TDCHA would issue certificates of eligibility to taxable entities with franchise tax liability for an average of three new stores annually, with an average eligible investment cost of $15 million per store.

The Texas Department of Housing and Community Affairs indicates there would be a cost associated with the agencies new responsibility to issue a certificate of eligibility to a taxable entity that qualifies for the credits created by the bill. This estimate assumes those costs could be absorbed within existing resources.

Local Government Impact

No fiscal implication to units of local government is anticipated.

Source Agencies: 304 Comptroller of Public Accounts, 332 Department of Housing and Community Affairs

LBB Staff: WP, KK, SD