

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 86TH LEGISLATIVE REGULAR SESSION

April 1, 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: HB710 by Wray (Relating to the computation of cost of goods sold for purposes of the franchise tax by taxable entities that transport ready-mixed concrete.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for HB710, 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 (\$13,057,000) 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	(\$6,434,000)
2021	(\$6,623,000)
2022	(\$6,803,000)
2023	(\$7,019,000)
2024	(\$7,282,000)

Fiscal Analysis

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

for determining cost of goods sold for taxable entities that transport ready-mixed concrete. The proposed provision would allow such taxable entities to subtract as a cost of good sold distribution costs, regardless of whether the taxable entities own the ready-mixed concrete.

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

Methodology

Current law (Section 171.1012(e)(3)) excludes distribution costs from cost of goods sold. This bill would provide an exception to that provision for taxable entities that transport ready-mixed concrete.

The estimated fiscal impact of this bill is based on franchise tax return data and audit records from the Comptroller's Office, as well as sub-sector forecasts from IHS Markit.

Local Government Impact

No fiscal implication to units of local government is anticipated.

Source Agencies: 304 Comptroller of Public Accounts

LBB Staff: WP, KK, SD