

**LEGISLATIVE BUDGET BOARD**  
**Austin, Texas**

**FISCAL NOTE, 86TH LEGISLATIVE REGULAR SESSION**

**May 15, 2019**

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

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

**IN RE: HB2611** by Morrison (Relating to the treatment of certain limited liability companies as passive entities for purposes of the franchise tax.), **As Engrossed**

**Estimated Two-year Net Impact to General Revenue Related Funds** for HB2611, As Engrossed: 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 (\$34,553,000) 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:**

<b>Fiscal Year</b>	<b>Probable Net Positive/(Negative) Impact to General Revenue Related Funds</b>
2020	\$0
2021	\$0
2022	\$0
2023	\$0
2024	\$0

**All Funds, Five-Year Impact:**

<b>Fiscal Year</b>	<b>Probable Revenue (Loss) from Property Tax Relief Fund 304</b>
2020	(\$16,977,000)
2021	(\$17,576,000)
2022	(\$18,096,000)
2023	(\$18,660,000)
2024	(\$19,235,000)

**Fiscal Analysis**

The bill would amend Chapter 171 of the Tax Code to include limited liability companies (LLCs)

in the types of entities that can qualify as a passive entity, which are exempt from paying the franchise tax.

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

**Methodology**

The estimated fiscal impact of this bill is based on franchise tax return data.

**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