

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 86TH LEGISLATIVE REGULAR SESSION

April 13, 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: HB2611 by Morrison (relating to the treatment of certain limited liability companies as passive entities for purposes of the franchise tax.), **Committee Report 1st House, Substituted**

Estimated Two-year Net Impact to General Revenue Related Funds for HB2611, Committee Report 1st House, Substituted: 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:

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	(\$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