

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

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

**April 2, 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.), **As Introduced**

**Estimated Two-year Net Impact to General Revenue Related Funds** for HB2611, 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 (\$34,553,000) for the 2020-21 biennium.**

**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</b>
	<b>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 also allow income from another LLC to qualify as passive income for

an LLC.

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