

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: HB2864 by King, Tracy O. (Relating to the E-Z computation of the franchise tax.), As Introduced

Estimated Two-year Net Impact to General Revenue Related Funds for HB2864, 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 (\$23,027,000) 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	(\$11,314,000)
2021	(\$11,713,000)
2022	(\$12,059,000)
2023	(\$12,435,000)
2024	(\$12,818,000)

Fiscal Analysis

The bill would amend Section 171.1016(a) of the Tax Code to increase the E-Z eligibility

threshold. The bill would allow a taxable entity to elect the E-Z computation if its total revenue was not more than \$25 million; under current law the amount is not more than \$20 million.

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

Methodology

The estimated fiscal impact of this bill is based on the difference between tax due on franchise tax reports for taxpayers with total revenue of more than \$20 million but not more than \$25 million, and the amount that would be due were tax liability determined based on the E-Z computation, extrapolated to future years based on the forecast of growth in franchise tax revenue estimated for the *2020-21 Biennial Revenue Estimate*.

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