

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 86TH LEGISLATIVE REGULAR SESSION

May 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: HB3413 by Capriglione (relating to the application of the franchise tax to and computation of franchise tax owed by certain entities that hold precious metals.),
Committee Report 1st House, Substituted

Estimated Two-year Net Impact to General Revenue Related Funds for HB3413, 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 (\$20,000,000) 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	(\$10,000,000)
2021	(\$10,000,000)
2022	(\$10,000,000)
2023	(\$10,000,000)
2024	(\$10,000,000)

Fiscal Analysis

The bill would amend Chapter 171 of the Tax Code, regarding the franchise tax owed by certain entities that hold precious metals.

The bill would define "bullion holder" as a person who holds, stores, purchases, sells, trades, or manages the ownership of platinum, gold, or silver bullion.

The bill would provide that a taxable entity whose only activity in Texas is as a bullion holder is not considered to be doing business in Texas for franchise tax purposes and is not required to file an annual franchise tax report.

The bill would also provide that all gains or losses attributable to the purchase or sale, trade, barter, gift, donation, or other disposal of platinum, gold, or silver bullion, including gold, silver, or numismatic coins, shall be excluded from the total revenue of a taxable entity for purposes of computing taxable margin.

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

Methodology

The bill's definition of "bullion holder" is broad and does not require a taxable entity to take physical possession of bullion in order to be eligible for exemption from franchise tax and from the requirement to file a report, including a "no tax due" report. Nor does the definition require a taxable entity to be principally engaged in the holding of bullion in order to be subject to the revenue exclusion provision. This fiscal note estimate assumes that a taxable entity that meets the definition of bullion holder would benefit from a reduced franchise tax liability. The waiver of the "no tax due" report would compromise the ability to identify liability and enforce collection of the tax when tax may in fact be due.

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