

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 86TH LEGISLATIVE REGULAR SESSION

April 26, 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: **HB3823** by Sherman, Sr. (relating to a franchise tax credit for taxable entities that provide paid family care leave.), **Committee Report 1st House, Substituted**

Estimated Two-year Net Impact to General Revenue Related Funds for HB3823, 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 (\$110,000,000) 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	(\$54,000,000)
2021	(\$56,000,000)
2022	(\$58,000,000)
2023	(\$59,000,000)
2024	(\$61,000,000)

Fiscal Analysis

The bill would amend Chapter 171 of the Tax Code, regarding the franchise tax, to add new

Subchapter X to establish a tax credit for employers that provide paid family care leave.

A taxable entity with an average of not more than 250 employees would qualify for a credit under this Subchapter if they provide paid family care leave to an employee, according to a policy adopted by the taxable entity, under which an employee is entitled to at least four weeks of paid leaving following giving birth to an infant, two weeks of paid leave following the birth of an employee's infant, and two weeks of paid leave following the adoption of an infant.

The amount of the credit would be equal to the lesser of twice the amount of costs attributable to providing paid family care leave to employees during the accounting period or the amount of franchise tax due for the report after applying all other applicable credits.

The bill would require the Comptroller to adopt rules regarding costs attributable to the credit and promulgate a form for the application of the credit.

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

Methodology

The bill does not require that an employee for which credit is earned be based out of or work in Texas. The estimated fiscal impact is based on both Texas and US employment data by firm size and average wage data from the U.S. Bureau of Labor Statistics as well as birth rate data.

Local Government Impact

No fiscal implication to units of local government is anticipated.

Source Agencies: 304 Comptroller of Public Accounts, 320 Texas Workforce Commission

LBB Staff: WP, KK, SD