

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

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

**April 12, 2019**

**TO:** Honorable Jane Nelson, Chair, Senate Committee on Finance

**FROM:** John McGeady, Assistant Director    Sarah Keyton, Assistant Director  
Legislative Budget Board

**IN RE:** **SB1481** by Hinojosa (Relating to the exemption from the franchise tax and certain filing fees for certain businesses owned by veterans during an initial period of operation in the state.), **As Introduced**

**Estimated Two-year Net Impact to General Revenue Related Funds** for SB1481, 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 (\$9,328,000) 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>
2020	304 (\$1,790,000)
2021	(\$7,538,000)
2022	(\$7,842,000)
2023	(\$6,346,000)
2024	(\$4,877,000)

**Fiscal Analysis**

The bill would amend Chapter 171 of the Tax Code, regarding the franchise tax and certain veteran-owned businesses.

The bill would extend the temporary definition of "beginning date" for new veteran-owned businesses for purposes of franchise tax liability until fiscal year 2022. The beginning date provision for eligible veteran-owned businesses delays the applicability of franchise tax until five years after the entity begins doing business in the state.

The bill would amend Section 171.0005(a) to provide that a new veteran-owned business is one which is at least 51 percent owned by one or more natural persons who served and were honorably discharged from a branch of the U.S. armed forces.

The provisions related to a new veteran-owned business would be repealed on January 1, 2022. The repeal would not affect a qualified new veteran-owned business that began doing business in this state prior to January 1, 2022.

Except as otherwise provided, this bill would take effect September 1, 2019.

### **Methodology**

Currently, each owner of a new veteran-owned business is required to be a natural person who served and was honorably discharged from a branch of the U.S. armed forces to be eligible as a qualified business and exempt from the franchise tax for the first five years it does business in this state. This estimate is based on the U.S. Census Bureau's Survey of Business Owners which includes information on veteran-owned businesses and on the Comptroller's franchise tax files for new tax filers and current exemption data related to one hundred percent veteran-owned businesses.

Veteran-owned businesses that were ineligible for the exemption under current law because not 100 percent veteran-owned that would become exempt from tax on September 1, 2019 would be liable for additional tax in fiscal 2020 based on their taxable activity prior to the effective date of the bill. The estimated revenue loss due to exemption in fiscal 2020 would be partially offset by this additional tax.

### **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