

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 86TH LEGISLATIVE REGULAR SESSION

April 13, 2019

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

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

IN RE: **SB1869** by Hinojosa (Relating to a franchise tax credit for taxable entities that employ persons with disabilities.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for SB1869, As Introduced: an impact of \$0 through the biennium ending August 31, 2021.

However, the bill will have a direct impact of a revenue loss to the Property Tax Relief Fund of (\$1,770,000,000) 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	(\$870,000,000)
2021	(\$900,000,000)
2022	(\$925,000,000)
2023	(\$951,000,000)
2024	(\$981,000,000)

Fiscal Analysis

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

Subchapter K-1 to add a tax credit for entities that employ persons with disabilities.

A taxable entity would qualify for a credit, in an amount equal to the lesser of 50 percent of wages paid by the entity or \$7,500, for each person with a disability who is employed by the taxable entity in a position located or based in Texas. The total amount of the credit for each report could not exceed the amount of franchise tax due after any other applicable credit. The bill would only allow taxable entities to claim a credit in connection with wages paid during the accounting period on which the franchise tax report is based.

The bill would require the Comptroller's Office to create a form that taxable entities must use when applying for the credit and adopt rules regarding the manner in which a taxable entity may demonstrate that an employee is a person with a disability for purposes of qualifying for the credit.

The bill would take effect January 1, 2020 and the franchise tax credits it creates could only be applied to a report originally due on or after that date.

Methodology

The estimated fiscal impact of this bill is based on employment data on disabled individuals published by the Bureau of Labor Statistics of the United States Department of Labor and a study by the Texas Workforce Investment Council indicating that 6.2 percent of labor force participants in Texas are individuals with disabilities. Of the resulting estimate of 820,000 employees with disabilities, it is assumed that one-fourth are employed by firms subject to franchise tax with sufficient tax liability to receive an average of \$4,250 credit.

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