

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

**FISCAL NOTE, 87TH LEGISLATIVE REGULAR SESSION**

**April 18, 2021**

**TO:** Honorable Morgan Meyer, Chair, House Committee on Ways & Means

**FROM:** Jerry McGinty, Director, Legislative Budget Board

**IN RE: HB361** by Sherman, Sr. (Relating to a franchise tax credit for taxable entities that provide paid family care leave.), **As Introduced**

**Estimated Two-year Net Impact to General Revenue Related Funds** for HB361, As Introduced : an impact of \$0 through the biennium ending August 31, 2023.

Additionally, the bill will have a direct impact of a revenue loss to the Property Tax Relief Fund of (\$125,100,000) for the 2022-23 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:**

<i>Fiscal Year</i>	<b>Probable Net Positive/(Negative) Impact to General Revenue Related Funds</b>
2022	\$0
2023	\$0
2024	\$0
2025	\$0
2026	\$0

**All Funds, Five-Year Impact:**

<i>Fiscal Year</i>	<b>Probable Revenue (Loss) from Property Tax Relief Fund 304</b>
2022	(\$60,500,000)
2023	(\$64,600,000)
2024	(\$69,200,000)
2025	(\$74,000,000)
2026	(\$78,600,000)

**Fiscal Analysis**

The bill would amend Chapter 171, Tax Code to provide for a franchise tax credit for employers that provide paid family care leave.

The bill would provide for a taxable entity with an average of not more than 1,500 employees to qualify for a credit if it provides 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 leave 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 or placement by the Department of Family and Protective Services of an infant in substitute care with the employee.

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, 2022, 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 Comptroller's estimate of 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

**LBB Staff:** JMc, KK, SD