

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 87TH LEGISLATIVE REGULAR SESSION

April 8, 2021

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

FROM: Jerry McGinty, Director, Legislative Budget Board

IN RE: SB938 by Campbell (relating to an exemption from the franchise tax and certain filing fees for certain businesses owned by veterans during an initial period of operation in the state.), **Committee Report 1st House, Substituted**

Estimated Two-year Net Impact to General Revenue Related Funds for SB938, Committee Report 1st House, Substituted : a negative impact of (\$363,000) 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 (\$300,000) 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>	Probable Net Positive/(Negative) Impact to General Revenue Related Funds
2022	\$0
2023	(\$363,000)
2024	(\$1,058,000)
2025	(\$2,019,000)
2026	(\$2,760,000)

All Funds, Five-Year Impact:

<i>Fiscal Year</i>	Probable Revenue (Loss) from General Revenue Fund 1	Probable Revenue (Loss) from Property Tax Relief Fund 304
2022	\$0	\$0
2023	(\$363,000)	(\$300,000)
2024	(\$1,058,000)	(\$900,000)
2025	(\$2,019,000)	(\$1,500,000)
2026	(\$2,760,000)	(\$2,100,000)

Fiscal Analysis

The bill would amend the Business Organizations Code and the Tax Code to provide for waiver of filing fees and for franchise tax exemption for new veteran-owned businesses.

The bill would provide that the secretary of state shall waive all filing fees imposed under Subchapter D, Chapter 4, Business Organizations Code for a new veteran-owned business.

The bill would amend Chapter 171, Tax Code to provide for franchise tax exemption for a new veteran-owned business formed in the state during the four-year period between January 1, 2022 and December 31, 2025. The exemption would persist until the earlier of the fifth anniversary after the taxable entity begins doing business in the state or the date the taxable entity ceases to qualify as a new veteran-owned business. A “new veteran-owned business” would be defined as a taxable entity each owner of which is a natural person who served in and was honorably discharged from a branch of the United States armed forces as verified by the Texas Veterans Commission.

The bill would take effect January 1, 2022.

Methodology

The Comptroller indicates the bill would result in a franchise tax revenue loss from the Property Tax Relief Fund. This estimate is based on U.S. Census Bureau data for veteran-owned businesses and Comptroller tax file information for new franchise tax filers.

The Secretary of State estimated the General Revenue Fund revenue loss from waiving filing fees for new veteran-owned businesses based on historical filing data.

Local Government Impact

No fiscal implication to units of local government is anticipated.

Source Agencies: 304 Comptroller of Public Accounts, 307 Secretary of State

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