

**LEGISLATIVE BUDGET BOARD
Austin, Texas**

FISCAL NOTE, 88TH LEGISLATURE 2nd CALLED SESSION 2023

July 11, 2023

TO: Honorable Joan Huffman, Chair, Senate Committee on Finance

FROM: Jerry McGinty, Director, Legislative Budget Board

IN RE: SB3 by Bettencourt (Relating to the amount of the total revenue exemption for the franchise tax and the exclusion of certain taxable entities from the requirement to file a franchise tax report.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for SB3, As Introduced : an impact of \$0 through the biennium ending August 31, 2025.

Additionally, the bill will have a direct impact of a revenue loss to the Property Tax Relief Fund of (\$600,000,000) for the 2024-25 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
2024	\$0
2025	\$0
2026	\$0
2027	\$0
2028	\$0

All Funds, Five-Year Impact:

<i>Fiscal Year</i>	Probable Revenue Gain/(Loss) from Property Tax Relief Fund 304
2024	(\$300,000,000)
2025	(\$300,000,000)
2026	(\$300,000,000)
2027	(\$300,000,000)
2028	(\$300,000,000)

Fiscal Analysis

The bill would amend Chapter 171 of the Tax Code, relating to the franchise tax, by increasing the amount of total revenue below which a taxable entity would owe no tax. The current level is \$1.0 million, and this bill would raise the amount to \$2.47 million.

Methodology

The provisions of the bill related to increasing the amount of total revenue below which a taxable entity would owe no franchise tax from \$1.0 to \$2.47 million would result in reduced revenue to the Property Tax Relief Fund.

Local Government Impact

No fiscal implication to units of local government is anticipated.

Source Agencies:

LBB Staff: JMc, BRI, SD