

LEGISLATIVE BUDGET BOARD  
Austin, Texas

FISCAL NOTE, 88TH LEGISLATIVE REGULAR SESSION

April 3, 2023

**TO:** Honorable Angie Chen Button, Chair, House Committee on International Relations & Economic Development

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

**IN RE:** HB3374 by Button (Relating to requirements for a qualified business participating in the enterprise zone program during a certain period.), **As Introduced**

**Estimated Two-year Net Impact to General Revenue Related Funds** for HB3374, As Introduced : a negative impact of (\$16,536,000) through the biennium ending August 31, 2025.

General Revenue-Related Funds, Five- Year Impact:

<i>Fiscal Year</i>	Probable Net Positive/(Negative) Impact to <i>General Revenue Related Funds</i>
2024	(\$16,536,000)
2025	\$0
2026	\$0
2027	\$0
2028	\$0

All Funds, Five-Year Impact:

<i>Fiscal Year</i>	Probable Revenue Gain/(Loss) from <i>General Revenue Fund</i> 1
2024	(\$16,536,000)
2025	\$0
2026	\$0
2027	\$0
2028	\$0

Fiscal Analysis

The bill would amend the Government Code to waive the requirement that a qualified employee perform at least 50 percent of their duties at the qualified business site to be counted as a qualified employee, at any time during the COVID relief period, which is defined as the period beginning March 1, 2020, and ending December 31, 2021.

The bill would allow a qualified business eligible for a waiver to withdraw its project or activity from designation as an enterprise project by December 31, 2023, and would stipulate such a qualified business would be eligible for any refund of state taxes under Section 2303.504 of the Government Code, approved for the COVID relief period, without regard to the duration of employment positions requirements for meeting the definition a new permanent job or retained job.

The bill would amend the Tax Code to provide that an enterprise project with an employee who did not meet the on-site work requirement at any time during the COVID relief period would not be subject to the maintenance of level employment requirements for a period of three years following the time it qualified for a refund.

The provisions of the bill would apply to any audit by the Comptroller considering whether an enterprise project is eligible for a tax refund under Section 151.429 and not finally completed by the effective date of the bill.

### **Methodology**

The bill provides a waiver of the maintenance of employment level requirement, as specified in Section 151.429(g-1). Waiving the required minimum percentage of duties performed at a qualified job site would result in payment of sales tax refunds to businesses with enterprise zone project designations that failed to remain eligible for the refund or whose refunds were reduced from 2020 and 2021 due to workers telecommuting or otherwise working off-site at any time between March 1, 2020 and December 31, 2021. The waiver would apply with respect to any employee who did not meet the on-site work performance requirement, regardless of whether because the employee normally did not meet the requirement or because the requirement was not met due to COVID-related disruption of normal business operations.

According to the Comptroller's Office, there have been 11,024 refund eligibility denials regarding employees who did not meet the on-site work requirement. This estimate assumes all refunds would be paid in fiscal year 2024.

### **Technology**

There be no technology impact from this bill.

### **Local Government Impact**

The fiscal implications of the bill cannot be determined at this time.

**Source Agencies:** 300 Trusteed Programs Within the Office of the Governor, 304 Comptroller of Public Accounts

**LBB Staff:** JMc, SZ, LCO, HGR, NV