

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 89TH LEGISLATIVE REGULAR SESSION

April 20, 2025

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

FROM: Jerry McGinty, Director, Legislative Budget Board

IN RE: HB3605 by Ordaz (Relating to a franchise tax credit for taxable entities that employ certain apprentices in broadband utility engineering or construction jobs.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for HB3605, As Introduced: an impact of \$0 through the biennium ending August 31, 2027.

Additionally, the bill will have a direct impact of a revenue loss to the Property Tax Relief Fund of (\$10,000,000) for the 2026-27 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
2026	\$0
2027	\$0
2028	\$0
2029	\$0
2030	\$0

All Funds, Five-Year Impact:

<i>Fiscal Year</i>	Probable Revenue (Loss) from Property Tax Relief Fund 304
2026	(\$10,000,000)
2027	\$0
2028	(\$10,000,000)
2029	\$0
2030	(\$10,000,000)

Fiscal Analysis

The bill would add a franchise tax credit for taxable entities that employ certain apprentices in broadband utility engineering or construction jobs.

A taxable entity would qualify for a credit if, during the period for which the credit is claimed, the entity employs at least one qualifying apprentice for at least three months and provides the apprentice with training and skills development in pole climbing, rigging fiber and coax splitting, or other tasks of an aerial lineman.

The bill would require a taxable entity to request a certificate of eligibility from the Texas Workforce Commission (TWC) and would require TWC to issue a certificate of eligibility to a taxable entity that qualifies for a credit.

The amount of the credit would equal \$5,000 multiplied by the number of qualifying apprentices employed by the entity during the period covered by the report. The amount of credit may not exceed the amount of franchise tax due on a report after applying all other applicable credits. The total amount of credits that may be awarded in a state biennium may not exceed \$10 million. A credit that could not be claimed due to the limitation of a taxable entity's own franchise tax can be carried forward for up to five consecutive reports.

A taxable entity could transfer the credit to another entity unless all the assets of the taxable entity are conveyed, assigned, or transferred in the same transaction.

The bill would take effect on January 1, 2026.

Methodology

The bill would cap the amount allowed under this credit at \$10 million per biennium. This analysis assumes the maximum amount will be taken.

Local Government Impact

No fiscal implication to units of local government is anticipated.

Source Agencies: 304 Comptroller of Public Accounts

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