

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 89TH LEGISLATIVE REGULAR SESSION

May 29, 2025

TO: Honorable Dan Patrick, Lieutenant Governor, Senate

FROM: Jerry McGinty, Director, Legislative Budget Board

IN RE: SB2018 by Paxton (Relating to the strong families credit against certain taxes for entities that contribute to certain organizations.), As Passed 2nd House

Estimated Two-year Net Impact to General Revenue Related Funds for SB2018, As Passed 2nd House: a negative impact of (\$146,000) 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 (\$193,490,000) 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>	<i>Probable Net Positive/(Negative) Impact to General Revenue Related Funds</i>
2026	\$0
2027	(\$146,000)
2028	(\$146,000)
2029	(\$146,000)
2030	(\$146,000)

All Funds, Five-Year Impact:

<i>Fiscal Year</i>	<i>Probable Revenue (Loss) from Property Tax Relief Fund 304</i>	<i>Probable (Cost) from General Revenue Fund 1</i>	<i>Change in Number of State Employees from FY 2025</i>
2026	\$0	\$0	0.0
2027	(\$193,490,000)	(\$146,000)	2.0
2028	(\$292,970,000)	(\$146,000)	2.0
2029	(\$5,000,000)	(\$146,000)	2.0
2030	\$0	(\$146,000)	2.0

Fiscal Analysis

This bill would amend Chapter 171 of the Tax Code, regarding the Franchise Tax, by adding Subchapter P to create a strong families tax credit toward Franchise taxes paid for contributions made to certain eligible organizations, as defined by the bill. The total amount of strong families credits awarded could not exceed \$5 million per year. The bill lays out qualifiers for the credits as well as responsibilities of the Comptroller when allocating the credits.

The bill would take effect June 1, 2026. The statutory provisions of the bill would expire January 1, 2029;

however, the expiration of those provisions would not affect credits an entity was eligible for based on designated contributions made before the date the statute expired.

The bill would extend Section 171.665(a), Tax Credit for Certain Research and Development Activities, expiration date to December 31, 2028. Currently, Section 171.665(a) would expire December 31, 2026.

Methodology

According to the Comptroller, this analysis assumes that the maximum amount of credits that can be awarded under each year of the program-\$5 million-will be expended totaling \$15 million.

Because the bill extends Subchapter M until December 31, 2028, taxable entities would be able to take research and development credits for an additional 2 years.

The administrative cost estimate reflects the funds necessary to hire two (2) Account Examiner III FTEs to implement and administer the new credit in the franchise tax section; a significant number of applications may be anticipated for this credit. While the exact number of applications is unknown, eligibility could extend to every organization that assists families.

Local Government Impact

No fiscal implication to units of local government is anticipated.

Source Agencies: 304 Comptroller of Public Accounts

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