

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 84TH LEGISLATIVE REGULAR SESSION

March 2, 2015

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

FROM: Ursula Parks, Director, Legislative Budget Board

IN RE: SB105 by Estes (Relating to the repeal of the franchise tax.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for SB105, As Introduced: a negative impact of (\$2,708,963,000) through the biennium ending August 31, 2017.

The estimated net impact to General Revenue Related Funds would increase to a negative (\$5,637,281,000) for the biennium ending August 31, 2019.

Additionally, the bill will have a direct impact of a revenue loss to the Property Tax Relief Fund of (\$1,993,642,000) for the 2016-17 biennium, increasing to a negative (\$3,819,520,000) for the 2018-19 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:

Fiscal Year	Probable Net Positive/(Negative) Impact to General Revenue Related Funds
2016	\$0
2017	(\$2,708,963,000)
2018	(\$2,786,789,000)
2019	(\$2,850,492,000)
2020	(\$2,895,089,000)

All Funds, Five-Year Impact:

Fiscal Year	Probable Revenue (Loss) from <i>General Revenue Fund</i> 1	Probable Revenue (Loss) from <i>Property Tax Relief Fund</i> 304
2016	\$0	\$0
2017	(\$2,708,963,000)	(\$1,993,642,000)
2018	(\$2,786,789,000)	(\$1,896,859,000)
2019	(\$2,850,492,000)	(\$1,922,661,000)
2020	(\$2,895,089,000)	(\$1,947,059,000)

Fiscal Analysis

The bill would repeal Chapter 171 of the Tax Code, regarding the franchise tax, effective January 1, 2016.

A taxable entity subject to the tax on December 31, 2015, would be required to file a final report and pay a transitional tax equal to the tax the taxable entity would have paid in 2016 if the tax had not been repealed. The provisions for computing and payment of the transitional tax would be those in effect on December 31, 2015. The report and payment would be due on or before May 15, 2016.

The bill would provide that the repeal of Chapter 171 would not affect audits, deficiencies, redeterminations and refunds of franchise tax until barred by limitations. The repeal would not affect the status of a taxable entity that has its business privileges or certificate revoked or a suit filed against it or the ability of the Comptroller, Secretary of State, or Attorney General to take action against a taxable entity under applicable Subchapters for actions that took place before the appeal or the right of a taxable entity to contest actions.

The bill would take effect on January 1, 2016.

Methodology

The estimated fiscal impact is based on the Comptroller's 2016-2017 *Biennial Revenue Estimate*.

Local Government Impact

No fiscal implication to units of local government is anticipated.

Source Agencies: 304 Comptroller of Public Accounts

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