

TTARA Webcast Update on Tax and Fiscal Issues

May 11, 2017

TEXAS TAXPAYERS
TTARA
AND RESEARCH ASSOCIATION

400 West 15th Street, Suite 400
Austin, Texas 78701
512.472.8838
www.ttara.org



Help Us Grow on Social Media!

Follow Us on Twitter



And Like Us on Facebook



Continuing Education Credits

We are pleased to offer 1 hour of continuing education credit for attorneys, accountants, and professionals in taxation with the State Bar of Texas, the Texas State Board of Public Accountancy, and the Institute for Professionals in Taxation.

Certificates of participation have been uploaded and can be found on the Gotowebinar toolbar on the right side of your screen under the “Handout” menu. You can download and place a copy in your files. If you have trouble locating the certificate, contact Ryan at ryan@ttara.org and he will send you a copy.

We will enter the State Bar of Texas credit, but accountants and tax professionals need to submit their credit to those organizations.

Agenda

- 1. Upcoming Events and Meetings**
- 2. 85th Legislative Session Dates of Interest**
- 3. Budget Review**
- 4. Economic Development**
- 5. Property Tax**
- 6. School Finance**
- 7. Tax Administration**
- 8. Sales Tax**
- 9. Franchise Tax**

Upcoming TTARA Meetings

2017 Legislative and Tax Committee Meeting Schedule

Meetings will be held in the third floor auditorium at 400 West 15th Street, Austin, TX

Date	Legislative 9:00-10:00 am	Property Tax 10:00 am-12:00 pm	State Tax 10:00 am-12:00 pm
January 11	✓	✓	
January 26	✓		✓
February 8	✓	✓	
February 22	✓		✓
March 8	✓		
March 22	✓	✓	
April 4	✓		✓
April 18	✓	✓	
May 2	✓		✓
May 16	✓	✓	
June 14	✓		



2017 Webcast Schedule

(All webcasts will begin at 9:30 a.m. and last approximately one hour)

• ~~January 18~~

• ~~February 9~~

• ~~March 9~~

• ~~April 13~~

• ~~May 11~~

• June 8

• September 14

• November 9



Other 2017 TTARA Meetings

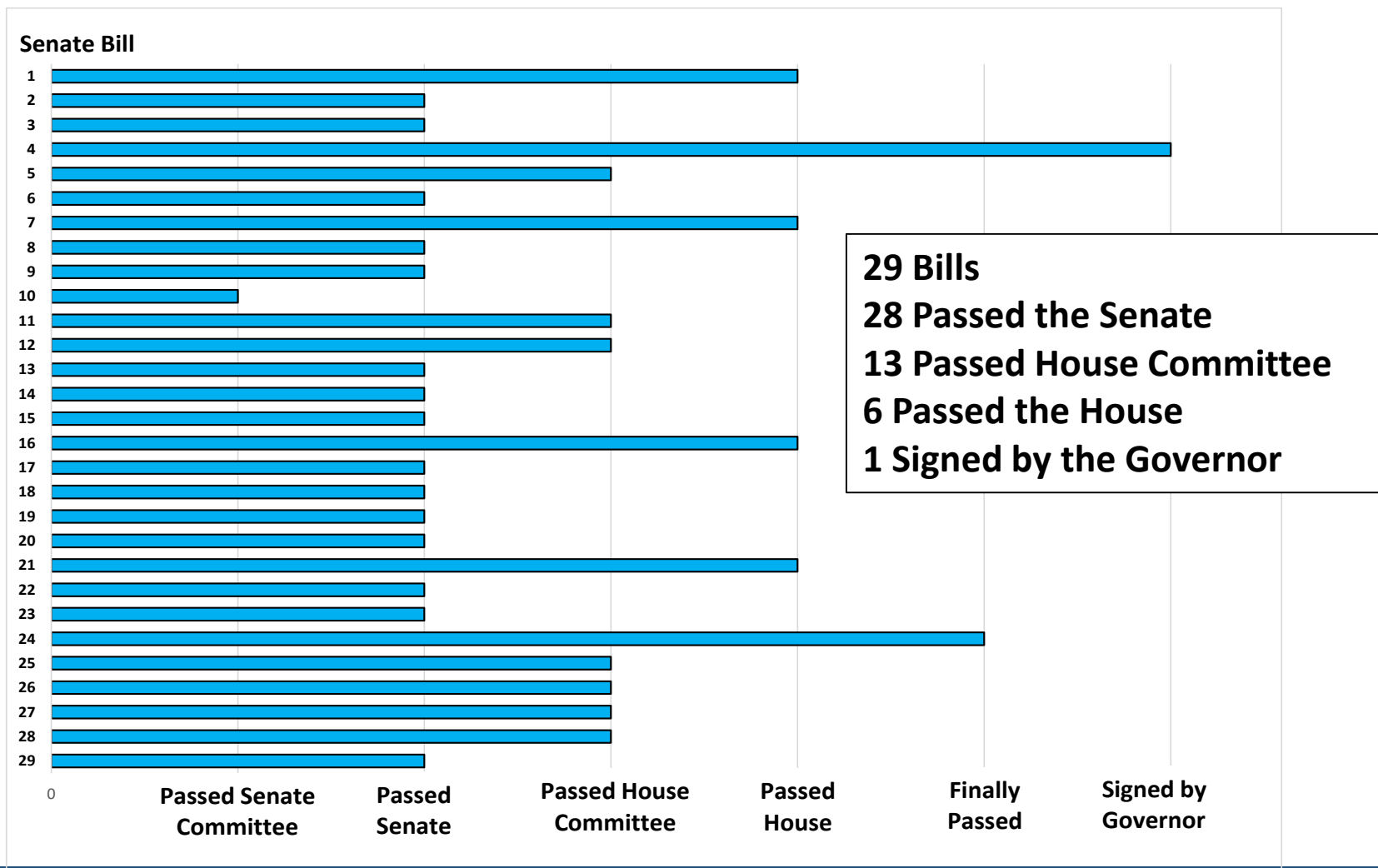
- **Golf Tournament:** June 5 at Falconhead Golf Club, Austin, 1:30 p.m. start.
- **Annual Meeting:** November 30 & December 1, JW Marriot, Austin, TX 78701

Legislative Dates of Interest

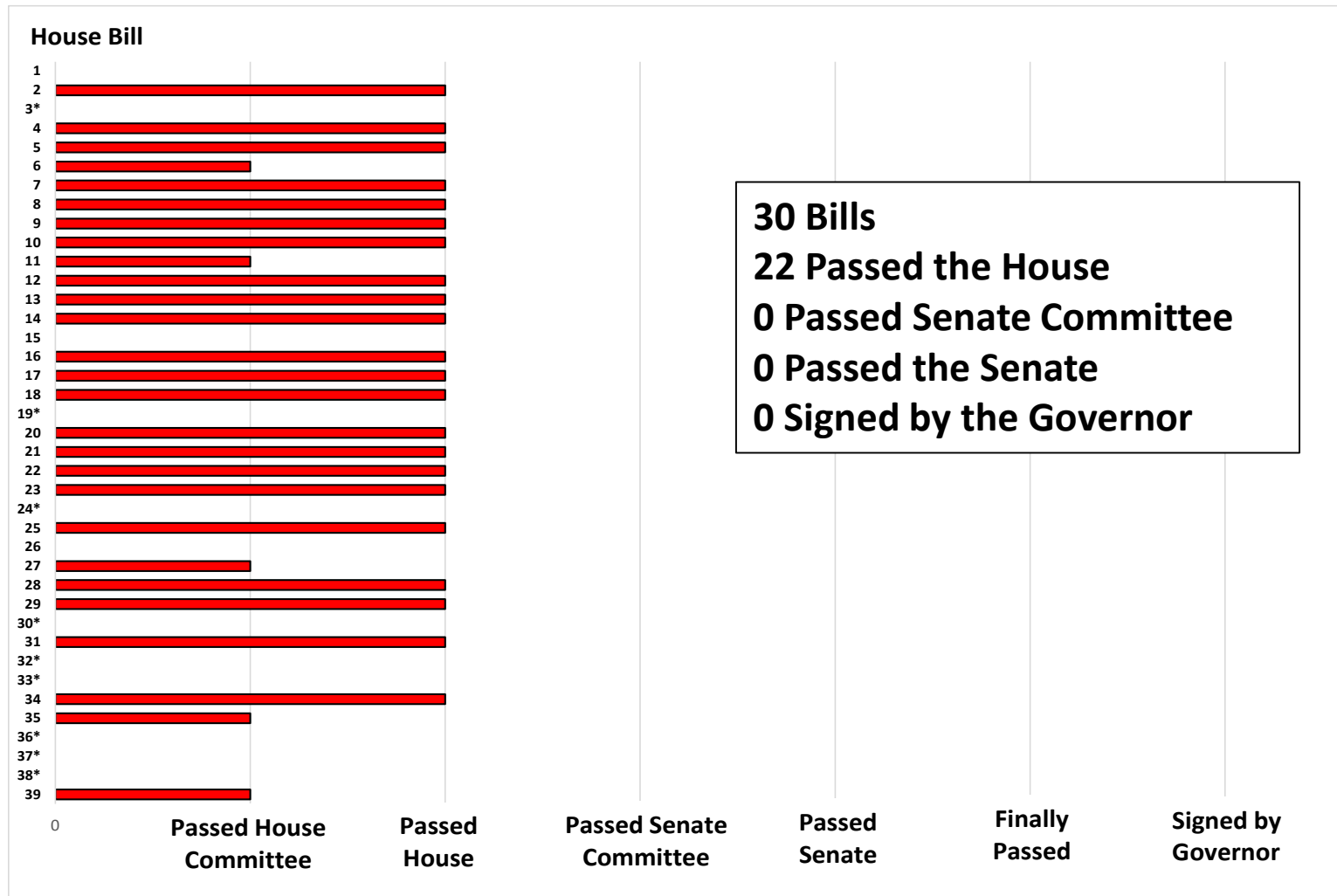
March 10, 2017	Deadline to file bills
May 8, 2017	Last day for house committees to report house bills
May 11, 2017	Last day for House to consider House bills and joint resolutions
May 19, 2017	Last day for House to consider local & consent House bills
May 23, 2017	Last day for House to consider Senate bills
May 24, 2017	Last day for House to consider local & consent Senate bills
May 28, 2017	Last day for House to adopt conference committee reports
May 29, 2017	Regular session adjourns
June 18, 2017	Last day Governor can veto bills

Lt. Governor's & Speaker's Priority Bills

Current Status: Low-Numbered Senate Bills



Current Status: Low-Numbered House Bills



Budget Review

The Road to a Budget

Bill Introduced

Senate Finance Committee Report

Senate Passes

House Approves

House Passes

Conference Committee Report

Conference Committee Report printed

January 17

March 22

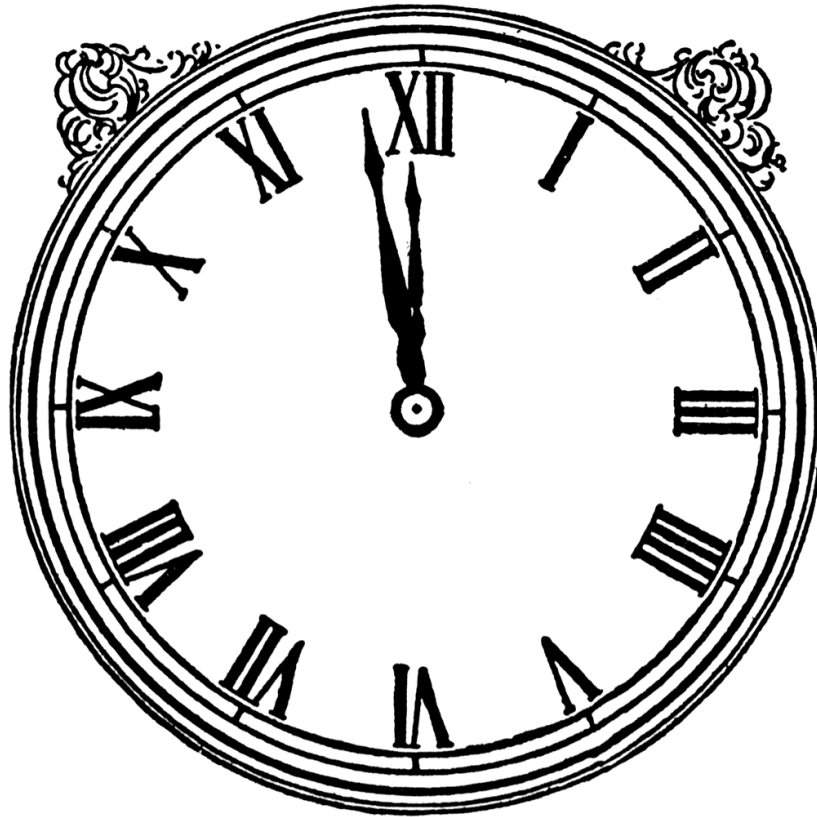
March 28

March 29

April 7

April 24

May 26



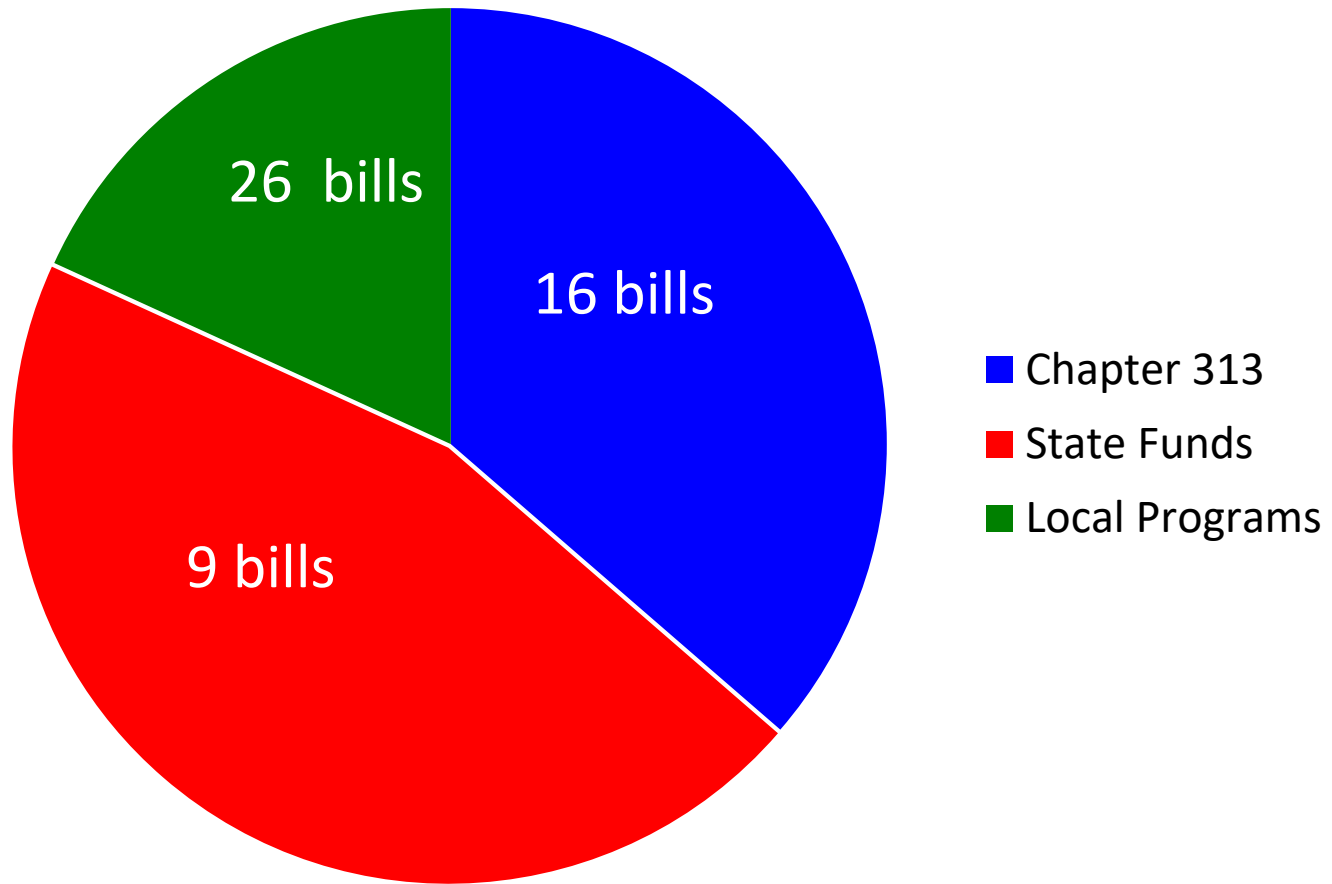
Big Budget Questions

- Public Education: to enhance or not?
- Higher Education: how to handle special items
- Medicaid: Fairy tale funding
- Method of Finance
 - Economic Stabilization Fund
 - Deferral of Sales Tax Revenue Transfer to the Highway Fund
 - Other

Today's Solutions or Tomorrow's Problems?

Revenue Item/Spending Reduction	2017	2019	Potential Gap
Defer Sales Tax Transfer to Highway Fund	\$2.5	(\$0.0 - \$2.5)	(\$2.5 - \$5.0)
Comptroller accelerated sale of unclaimed securities	\$0.5	\$0.0	(\$0.5)
Use of the Economic Stabilization Fund	\$0 – \$2.5	\$0.0	(\$0 - \$2.5)
New MV Sales Dedication for Highways	\$0.0	(\$0.2 - \$0.5)	(\$0.2 - \$0.5)
Phase Out Franchise Tax	\$0.0	(\$1.1 - \$1.5)	(\$1.1 - \$1.5)
Defer August School Payment	<u>\$1.9</u>	<u>(\$0.0 - \$1.9)</u>	<u>(\$1.9 - \$3.8)</u>
Total	\$4.9 – \$7.4	(\$1.3 – \$6.4)	(\$6.2 - \$14.8)

Economic Development 51 Bills Introduced



Chapter 313

HB 3360 by Button:

- Directs the Economic Development Incentive Oversight Board to examine the effectiveness, efficiency, and financial impact of Chapter 313;
- Requires the board to develop a schedule of review and make a biennial report to the legislature on projects reviewed during the previous two years.
- Passed House on May 3; referred to Senate Economic Development on May 10
- Governor's Office may not be favorable, so Senate weather looks cloudy

Chapter 313, cont.

SB 277 by Campbell/HB 445 by Frank:

- Prohibits 313 limitation for a wind project located within 25 miles of a military aviation facility
- Passed Senate on April 19
- Senate version referred to Ways & Means on May 5
- House companion on House calendar today

Chapter 313, cont.

SB 400 by Kolkhorst:

- Requires a Chapter 313 recipient or former recipient to contract with a CPA to verify jobs data certified to the Comptroller
- The data may be verified from any reliable source
- Passed Senate on April 26
- Not yet referred to House committee

Chapter 313 Bills, RIP

- **SB 1627 by Estes:** Eliminates the current law schedule of limitation amounts based on the category of school district and substitutes a flat 33.3% of the market value of the property.
- **SB 600 by Burton:** Repeals Chapter 313 (heard in Senate committee on April 19 and left pending)
- **HB 3086 by Murphy:** Modifies the wage requirement to qualify a job that pays 110% of the lesser state median annual wage for manufacturing jobs in the state or the county average annual wage for manufacturing jobs in the county.

Economic Development Portal

HB 3172 by Button:

- Directs the Department of Information Resources to establish an electronic government project to develop an Internet website accessible through the state electronic Internet portal to provide a single location that a business entity seeking to locate in Texas can use to access information about economic development incentives;
- Requires the site to allow, when feasible, an entity to complete one application for all state monetary incentives for which the entity may be eligible and state tax incentives, other than an incentive for which the entity or a transaction of the entity qualifies by operation of law;
- Requires the site to direct the application to the appropriate agencies;
- No fiscal note.
- Passed House on May 4; referred to Senate Eco Devo

Infrastructure Funding

SB 28 by Creighton/Deshotel:

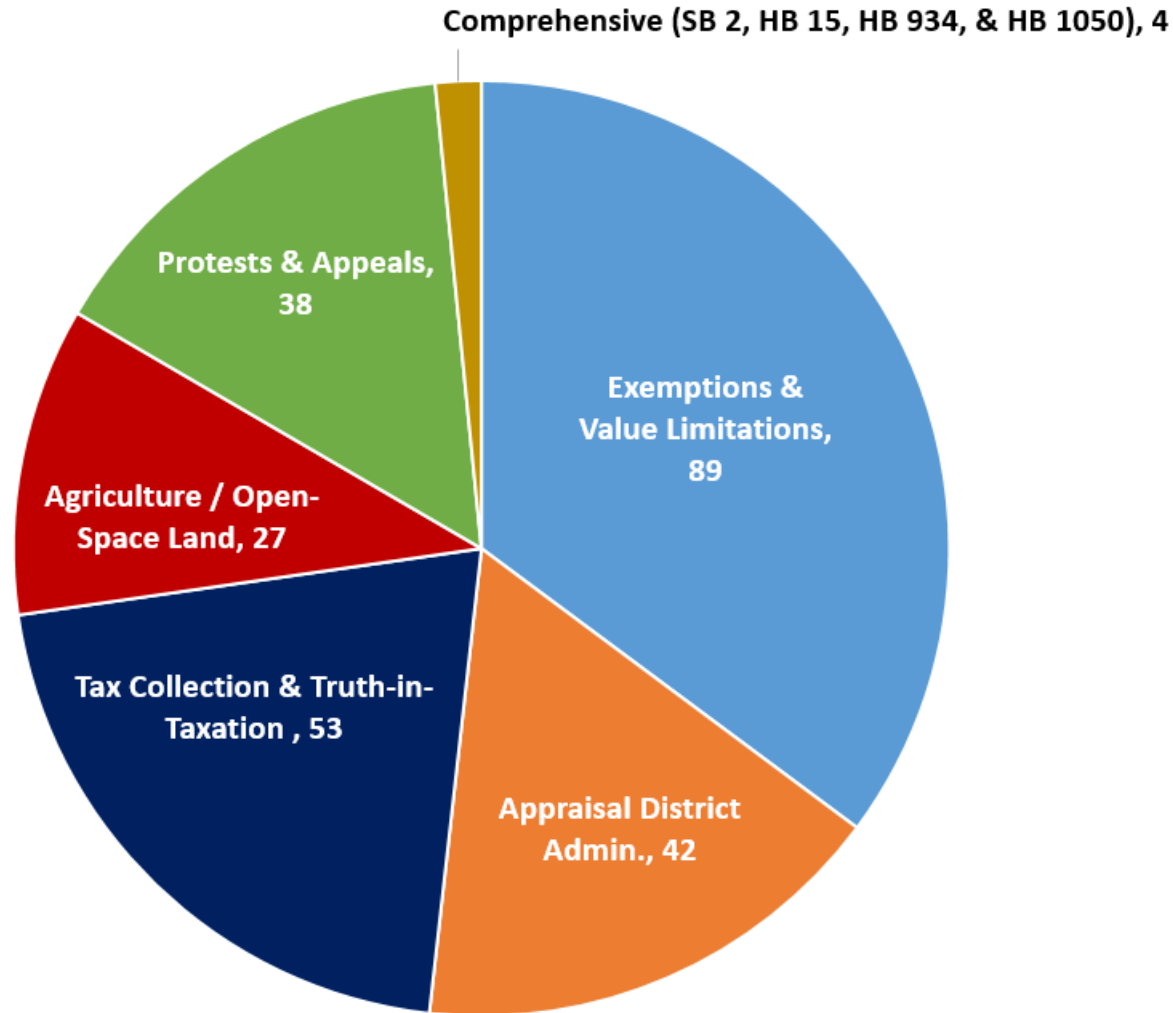
- Authorizes TXDOT to use the mobility fund for port access projects
- Creates a revolving fund to be used to widen or deepen ship channels (but not for maintenance dredging)
- Senate version recommended for House Local Calendar

Texas Enterprise Fund

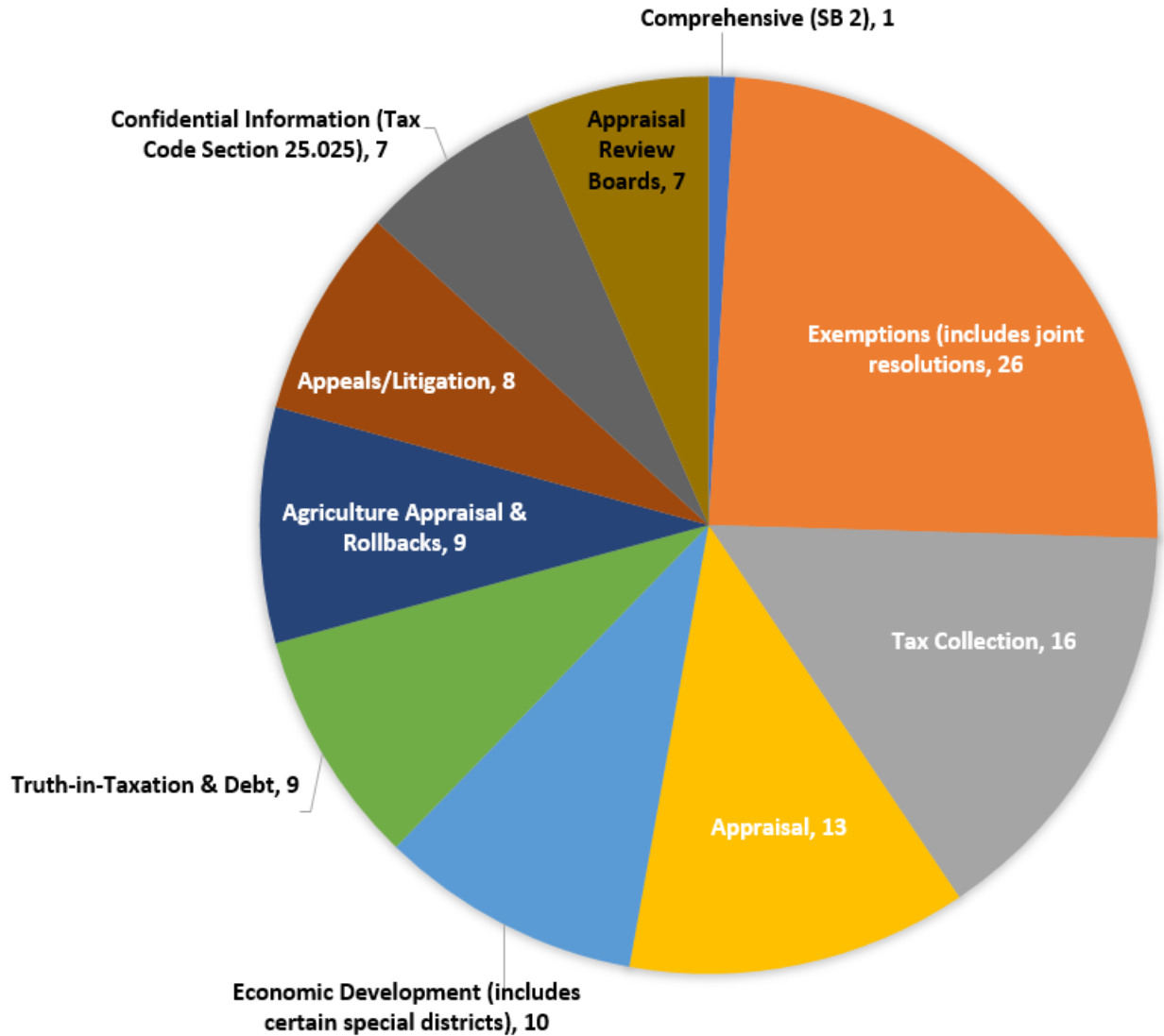
- \$43 million unexpended funds remaining in TEF
- Senate budget retains \$43 million for 2018-19
- House budget amended on the floor to eliminate TEF funding
- Conference committee?

Property Tax Bills

253 Tracked Bills



Property Tax Bills Advancing 106



Property Tax Bills Heard in Ways & Means Committee: May 10, 2017

Bill	Subject	Bill Status
SB 2 by Sen. Bettencourt and others	Relating to ad valorem taxation—the Property Tax Reform and Relief Act of 2017: reduces the rollback tax rate to 5%; requires a November election to exceed the rollback tax rate; and creates other changes to procedures and administration	Committee Substitute by Chairman Bonnen laid out; left pending
SB 669 by Sen. Nelson and others	Relating to protests and appeals of appraisal review board determinations: addresses review board procedures and training, arbitrator training, orders determining protest, and other administrative matters	Committee Substitute considered and left pending
SB 1345 by Sen. Watson and others	Relating to an exemption for property owned by a charitable organization and used to provide tax return preparation and other financial services without regard to the beneficiary’s ability to pay	Considered and left pending
SB 1767 by Sen. Buckingham	Relating to appraisal review board hearings and the option for taxpayers to present evidence and arguments first	Considered and left pending



Key Features of CSSB 2

Property Tax Payer Empowerment Act of 2017

- Provides for an August notification by the chief appraiser for each county to taxpayers concerning proposed taxes and hearing locations and times to be found at websites
- Creates a database of tax rate information at the county level
- Removes estimated taxes from notices of appraised value
- Requires certification of tax rate calculation worksheets
- Changes the term “effective” tax rate to “no-new-revenue”
- Allows small taxing units (2 cent rate or \$10 million levy) to continue same rollback tax rate provisions in current law
- Creates a petition rollback tax rate and an election rollback tax rate with different requirements to trigger the right for voter petition and a mandatory election; based on an inflation rate plus 3% for petitions and inflation plus 6% for mandatory election (not applicable to small units)
- School districts not included in statutory changes, except for entry of tax rate information
- Enhances the ability of taxpayers to seek injunctive relief for taxing unit failure to comply with truth-in-taxation requirements

Key Features of CSSB 2 (continued)

Property Tax Payer Empowerment Act of 2017

- 120 of 254 counties (95% of population) to comply with new law
- 93 of the 1,062 cities (over half of the population) to comply
- 58 of the state's 2,000 special districts to comply

- Taxing units to maintain or use websites and provide budgets, audits, and other financial information; linked to county database
- Requires special appraisal review board panels in five largest counties to hear cases over \$50 million in value for commercial, utility, industrial, and multifamily properties at the request of property owners; may be assigned to other categories of property
- Prohibits taxing unit challenges of levels of appraisal for property categories
- Requires use of Comptroller-prescribed tax rate calculation forms and provides for Comptroller rule-making for certain notices and the layout of the tax rate notice county-wide database

Bills Nearing Completion

Bills on the Governor's Desk for Signing

- **HB 217 by Rep. Terry Canales and Sen. Chuy Hinojosa**
Allows veterans to defer or abate the collection of property taxes on their residence homesteads
- **SB 594 by Sen. Brandon Creighton and Rep. Drew Springer**
Changes the procedure for approval of the Comptroller manual for the appraisal of qualified open-space and timber land
- **SB 945 by Sen. Paul Bettencourt and Rep. Jim Murphy**
Authorizes the chief appraiser to correct appraisal rolls for erroneously cancelling a residence homestead for persons over age 65, veterans, and others
- **SB 929 by Sen. Bryan Hughes and Rep. Ed Thompson**
Amends the continuing education requirements for county tax assessor-collectors

Bills Nearing Completion

House Bills on Senate Local & Uncontested Calendar 5/11/17

- **HB 455 by Rep. Will Metcalf and Sen. Robert Nichols**
Authorizing property owners to participate in appraisal review board hearings by telephone and providing for submission of evidence
- **HB 777 by Rep. Trent Ashby and Sen. Robert Nichols**
Expanding the eligibility of land owned by members of the armed services of the United States to qualify for special appraisal as open-space land
- **HB 1346 by Rep. Angie Button and Sen. Van Taylor**
Changing the date for prepayment of taxes on a dealer's heavy equipment inventory from the 10th day of the month to the 20th

Important Pending Bills

Bill	Introduced Version	Committee Substitute
<p>HB 27 by Springer</p> <p>Substitute reported from Ways & Means 4/26/17</p> <p>Set on House Calendar for 5/11/17</p>	<ul style="list-style-type: none"> • Applies to values developed by appraisal districts for all property • A property must have the same highest and best use as the subject property to be considered a comparable. • A use restriction prohibiting continuation of current use or a competitive use of the subject property by a subsequent owner shall not be considered to determine highest and best use. • Market value determinations must include consideration of whether the highest and best use of the property is the continuation of its current use. 	<ul style="list-style-type: none"> • Applies to values in litigation for retail real property • A property must have the same highest and best use as the subject property to be considered a comparable. • A use restriction prohibiting continuation of current use or a competitive use of the subject property by a subsequent owner or tenant shall not be considered to determine highest and best use; does not apply to a use restriction imposed or enforceable by a governmental entity. • Not included in substitute bill



Important Pending Bills (continued)

Bill	Subject	Bill Status
<p>SB 1305 by Nichols</p>	<p>Relating to the grant program using money from the transportation infrastructure fund</p> <p>Repeals Section 222.1071, 222.1072, and 222.110(i), Transportation Code, abolishing County Transportation Reinvestment Zones (CTRZ's)</p> <p>Amends other provisions of the Transportation Code dealing with grants to counties for road projects</p> <p>Does not affect tax rate calculations in 2018 nor the validity of bonds issued under this section</p> <p>Effective December 31, 2017</p>	<p>Also HB 2813 (Darby)</p> <p>Engrossed by Senate on 04/04/17</p> <p>Heard in House Energy Resources Committee 4/17/17</p> <p>Passed House Committee 4/17/17</p> <p>Committee report sent to House Calendars 4/24/17</p>

Important Pending Bills (continued)

Bill	Exemptions	Bill Status
HJR 21 by Bell	Proposing a constitutional amendment authorizing an exemption of all or part of the market value of a residence homestead of a partially disabled veteran (also SJR 23); enabling legislation HB 150	House Calendar 5/8/17
HJR 34 by Murphy	Proposing a constitutional amendment authorizing an exemption of real property leased to charter schools (also SJR 42); enabling legislating HB 382	Senate resolution reported from Ways & Means 5/5/17
HJR 52 by Turner	Proposing a constitutional amendment authorizing an exemption of a part of the value of real property used to provide housing to individuals with disabilities: enabling legislation HB 850	House Calendar 5/8/17
HJR 67 by Bohac	Proposing a constitutional amendment authorizing an exemption of all or part of the market value of a residence homestead of a Purple Heart recipient or surviving spouse; enabling legislation HB 1591	Reported from Ways & Means 5/5/17



Important Pending Bills (continued)

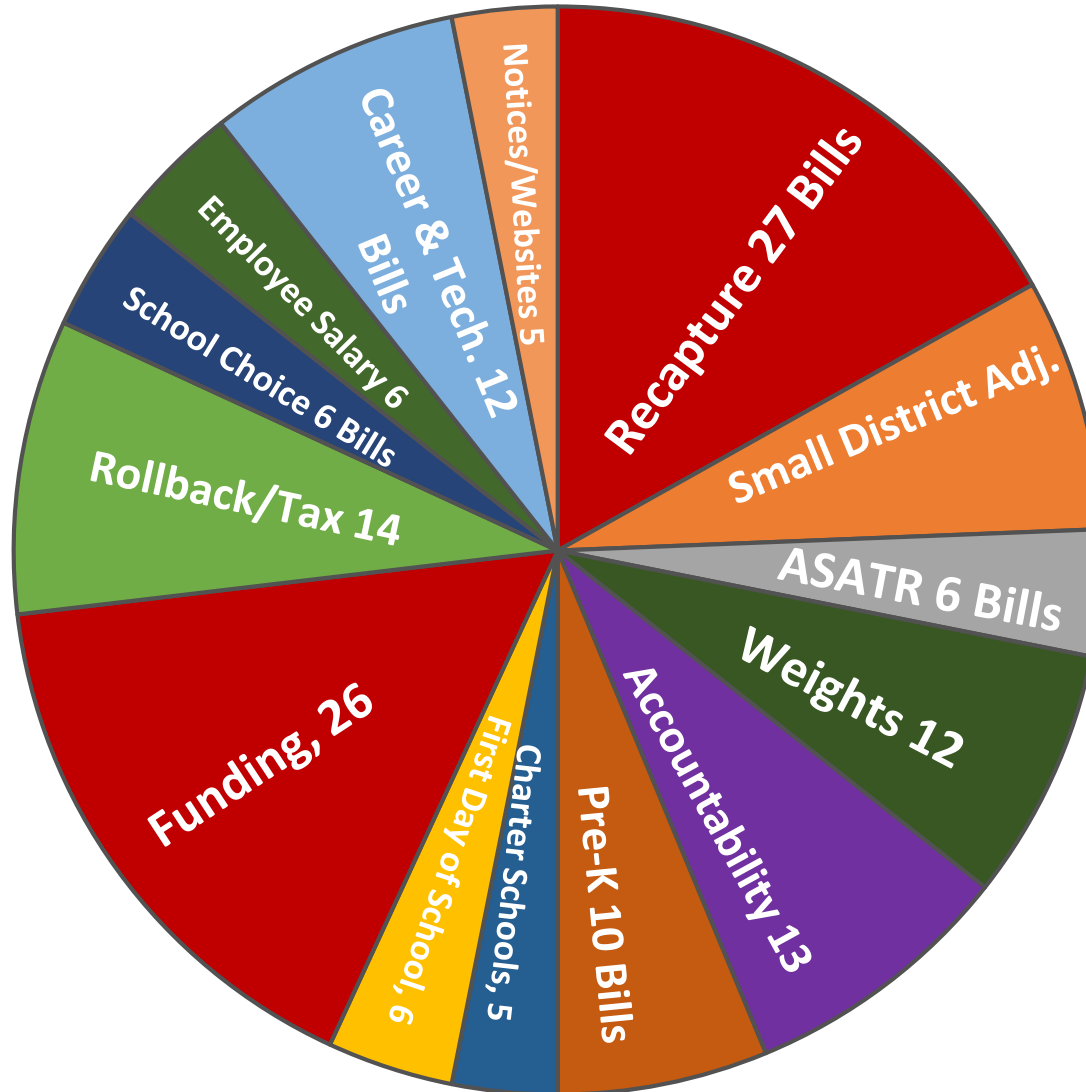
Bill	Exemptions	Bill Status
HJR 88 by Fallon	Proposing a constitutional amendment authorizing an exemption for all or part of the market value of the residence homestead of the surviving spouse of a first responder who died in the line of duty (also SJR 1); enabling legislation HB 2524	Reported from Ways & Means 5/5/17
HJR 97 by Miller	Proposing a constitutional amendment authorizing an exemption for all or part of the market value of the residence homestead of a partially disabled veteran or surviving spouse; enabling legislation HB 150	Reported from Ways & Means 5/5/17
HJR 113 by Capriglione	Proposing a constitutional amendment relating to a property tax exemption for precious metals	Set on House calendar 5/9/17



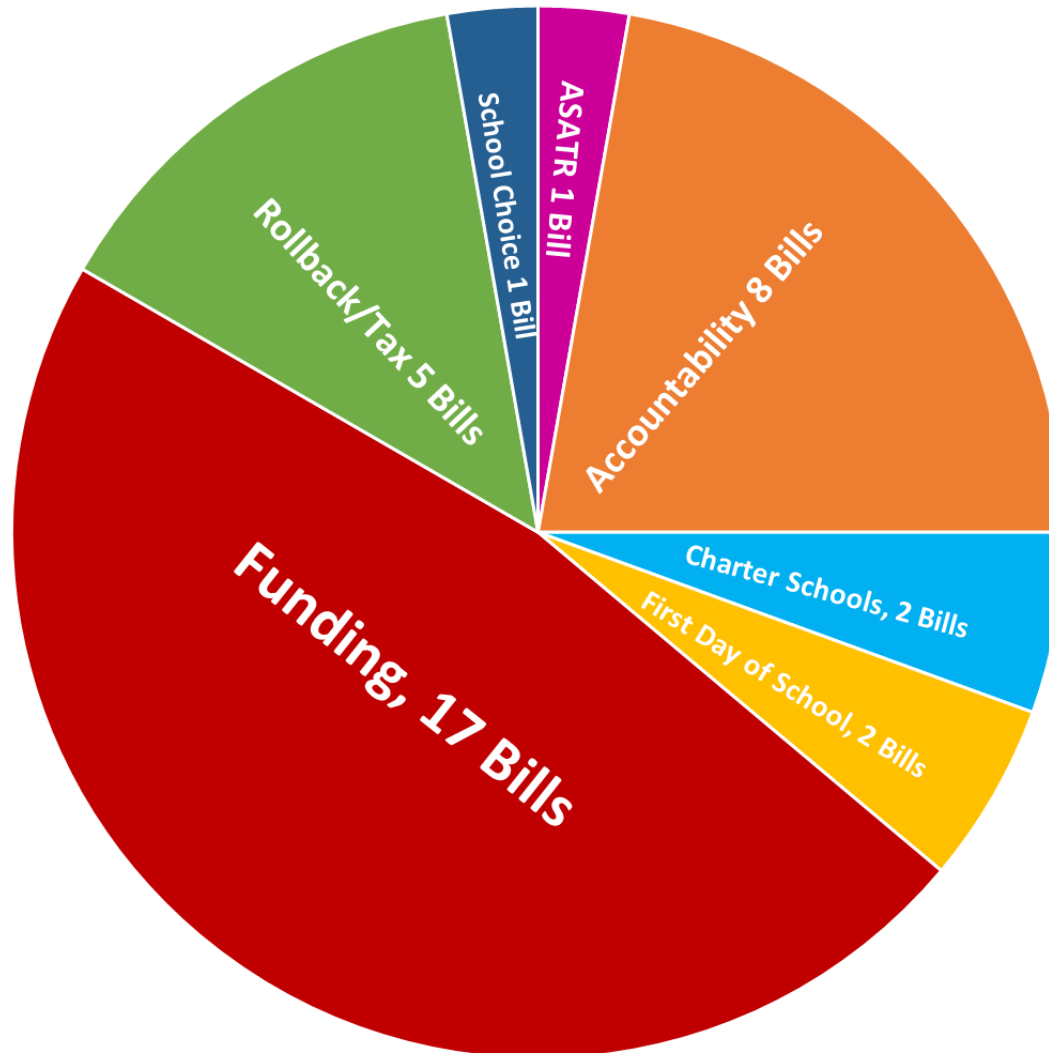
Important Pending Bills (continued)

Bill	Exemptions	Bill Status
SJR 1 by Campbell	See HJR 88 on prior slide Enabling legislation for SJR 1—SB 15 by Huffines	Received in the House 3/14/17
SJR 42 by Taylor, Larry	Proposing a constitutional amendment authorizing an exemption of real property leased to charter schools (also HJR 34); enabling legislation SB 1030	Voted favorably from Ways & Means 5/5/17
SJR 51 by Estes	Proposing a constitutional amendment authorizing exceptions to open-space land being devoted to certain purposes for property taxation based on productivity; enabling legislation SB 1514	Placed on Senate Calendar for 5/8/17
SJR 55 by Hinojosa	Proposing a constitutional amendment relating to the effect of a sale of property on the tax lien	Passed Senate 5/4/17

School Finance and Education Previously Tracking 160 Bills



School Finance and Education 05-11-17 Tracking 36 Bills



May 6, 2017 – Proposition 1 Houston ISD Recapture Authorization

“Authorizing the board of trustees of Houston Independent School District to purchase attendance credits from the state with local tax revenues.”

Passed 84% - 16%

May 6, 2017 – Proposition 1

“Authorizing the board of trustees of Houston Independent School District to purchase attendance credits from the state with local tax revenues.”

Vote “For”	Vote “Against”
Houston ISD will pay the state \$77.5 million.	The Commissioner of Education will detach \$9 billion of business property to be annexed by Aldine ISD.
There won't be any detachment of business property from the school district.	Houston ISD will lose \$96.6 million -- \$19 million more than the recapture payments.
	Detached property will pay \$9.2 million more in taxes to Aldine ISD.
	Property not detached will pay higher taxes due to Houston ISD's shrinking tax base.
	Process will be repeated each year with more property detached.

May 6, 2017 – Proposition 1

“Authorizing the board of trustees of Houston Independent School District to purchase attendance credits from the state with local tax revenues.”

Procedure to Stop Detachment

1. Votes will be canvassed.
2. School Board President will sign the contract with TEA.
3. School Board will approve the contract.
4. HISD will make the payment.
5. Commissioner of Education will rescind his detachment order.

La Feria ISD and Joaquin ISD vs.

Commissioner of Education Mike Morath;
Texas Education Agency; and
State Board of Education
Case No. D-1-GN-17-001385

- **Hearing on Wednesday, May 17, Travis County Courthouse**
- Plaintiffs claim the Commissioner adopted the rule to recognize 50% of the optional homestead exemption when calculating recapture payments without following proper procedures set forth in the Texas Administrative Procedures Act, and therefore they are challenging the validity of the new rule.
 - ✓ The rule was never published for comment and TEA never published a fiscal impact estimate as is required.
- Plaintiffs have asked the Court for a **permanent injunction** enjoining the implementation of the rule.

School Finance Bills – 85th Legislative Session

Bill No.	School Finance Bills	Status	Biennial Cost
HB 21 Huberty	Comprehensive school finance bill. Increases basic allotment by \$210 and recapture threshold by \$21,000. Increases bilingual weight, Career and Technology weight, and small district adjustment. Implements a weight for dyslexic students. Delays the August 2019 payment to school districts (\$1.875 billion) to the first week of September, pushing it into the next biennium.	4/20/17 Passed the House Hearing in Senate Education Committee 05/11/17	No cost due to the delay of the August 2019 payment
HB 811 Ken King	Extends the expiration date for Additional State Aid for Tax Reduction (ASATR) funding by two years for the 130 school districts that receive 4% or more of their total M&O revenue through ASATR payments. Effective only if HB 21 does not become law.	On House Calendar 5/11/17	\$367 million



School Finance Bills – 85th Legislative Session

Bill No.	School Finance Bills	Status	Biennial Cost
HB 2051 Huberty	Increases the New Instructional Facilities Allotment to \$1,000 per ADA (from \$250 per ADA).	5/9/17 Passed the House	Capped at \$50 million (current law)
HB 3251 Ken King	Removes the requirement that funds be specifically appropriated to reimburse school districts for a decline in value in excess of 4% .	On House Calendar 5/10/17	\$383 million
SB 3 Larry Taylor	Establishes Education Savings Accounts and an Insurance Premium Tax Scholarship Program that award funds to parents to pay for the education of a child. Limited to counties with a population of 285,000 or greater (17 counties).	Passed by the Senate on 3/30/17. Not yet referred to House Committee	\$107 million

School Finance Bills – 85th Legislative Session

Bill No.	School Finance Bills	Status	Biennial Cost
SB 22 Larry Taylor	Establishes the Pathways in Technology Early High School (P-Tech Program) to enable a participating student in grades 9-12 to combine high school courses and college courses so that the student can graduate with both a high school diploma and an associates degree in 6 years. Repeals the tech-prep program.	Passed by the Senate 3/28/17 Heard in House Public Education on 4/25/17	\$5 million
SB 2143 Larry Taylor	Sets the basic allotment in statute rather than in the appropriations bill.	Passed by the Senate 05/08/17	No Cost
SB 2144 Larry Taylor	Creates a 15-member Texas Commission on Public School Finance to make recommendations for improvements to the school finance system.	Passed by the Senate 05/04/17 Referred to House Public Education 05/08/17	No Cost



Rollback/Tax Rate Bills – 85th Legislative Session

Bill No.	Rollback/Tax Rate Bills	Status	Biennial Cost
HB 486 VanDeaver SB 1267 Larry Taylor	<p>Authorizes a school district that has had its adopted tax rate approved by a tax ratification election to lower its M&O rate, and then within the next 10 years increase the rate back to the previously approved rate without having to hold another tax ratification election. Applies only to school districts that have had their adopted tax rate approved at a tax ratification election, and subsequently lower their M&O rate in the 2016 or a subsequent tax year.</p>	<p>HB 486 Passed House 5/3/17</p> <p>SB 1267 on Senate Intent Calendar</p>	No Cost
SB 1122 Huffines	<p>Abolishes Dallas County Schools Dept. of Education and the office of County School Superintendent effective September 1, 2018 unless voters approve continuing the entity.</p>	<p>Passed Senate 5/4/17</p> <p>Not yet referred to House Committee</p>	No Cost

Rollback/Tax Rate Bills – 85th Legislative Session

Bill No.	Rollback/Tax Rate Bills	Status	Biennial Cost
SB 1166 Bettencourt	Requires that the Harris County Department of Education be reviewed by the Sunset Commission.	Passed Senate 4/25/17 House Public Education Committee Hearing 5/9/17	Minimal Cost
SB 1407 Van Taylor	Requires tax bills to contain the percentage of M&O taxes that are recaptured in property wealthy school districts. In other districts, the percentage of revenue received from property taxes and state aid.	Passed Senate 5/10/17	No Cost



Charter School Bills – 85th Legislative Session

Bill No.	Charter School Bills	Status	Biennial Cost
SB 457 Campbell	Provides funding to charter schools for facilities equal to the amount received by districts at the statewide average I&S tax rate. Increases the Existing Debt Allotment guarantee to \$40 per ADA per penny (from \$35). Funding is split 50%-50% between charter schools and traditional school districts.	Passed by the Senate on 4/27/17. Not yet referred to House Committee.	Capped at \$100 million Passes only if a specific appropriation is made
SB 1480 Hughes	Phases in by 20% per year an increase in the total amount of charter district bonds that may be guaranteed by the Permanent School Fund	Passed Senate 5/1/17 Reported from House Public Education Committee 5/4/17	No Cost

Accountability & Testing Bills – 85th Legislative Session

Bill No.	Accountability/Testing Bills	Status	Biennial Cost
HB 22 Huberty SB 2051 L. Taylor	<p>Makes changes to the new A-F Accountability System. Reduces the number of domains that school districts are evaluated on to 3 from 5. Delays the implementation of the A-F system for two years.</p>	<p>HB 22-Passed by the House 5/4/17. Not yet referred to Senate Committee</p>	<p>\$4.5 million</p>
HB 515 VanDeaver	<p>Requires that school districts establish an accelerated learning committee (principal, parent, and teacher of subject) for each student who does not pass the 3rd, 5th, or 8th grade math or reading STAAR test. Eliminates the STAAR test in Social Studies and the US History end-of-course test. Requires a student to pass the SAT, ACT, or TSI test in order to graduate from high school, as well as pass a civics test.</p>	<p>Passed by the House 5/4/17.</p> <p>Not yet referred to Senate Committee</p>	<p>Saves \$1.6 million</p>

Accountability & Testing Bills – 85th Legislative Session

Bill No.	Accountability/Testing Bills	Status	Biennial Cost
HB 2614 Huberty	Repeals the requirement that a school district administer a PSAT test to each student in the 8 th grade and an SAT or ACT test to each student in 10 th grade at state cost and leaves it to the district's discretion.	Passed by the House 5/9/17. Not yet referred to Senate Committee	No significant savings
SB 463 Seliger	Extends for two years (until Sept. 1, 2019) the provision that requires that Individual Graduation Committees be appointed for students who fail up to two end-of-course tests. The committee determines if the student can graduate from high school.	Passed by the Senate 5/1/17. Referred to House Public Education 5/8/17	No Cost

Tax Administration



Unclaimed Property Administration

HB 2829 by Oliviera

- As Filed
 - Comptroller bill to give Comptroller “or the Comptroller’s designee” all the audit and enforcement tools applicable to state tax administration including subpoena persons to appear and give testimony and/or produce books and records
 - Currently the Comptroller, Attorney General or “authorized agent” may examine books and records
- Comptroller and Rep. Oliviera agreed to remove the designee authorization
- Reported to Calendars Committee
 - Retained designee language in order to move bill faster but Rep. Oliviera promised to remove with a floor amendment
- Died in Calendars

Sales Tax

Local Sales Tax Reports

HB 1370 by Springer

- As Filed
 - Comptroller when requested reports to a local taxing entity the amount of local sales tax remitted by individual outlet, as well as gross sales, taxable sales, and taxable purchases
- Committee substitute
 - Removed required reporting of gross sales, taxable sales and taxable purchases
 - Sent to Local and Consent Calendars 3/29
- Local and Consent referred to General Calendar
- When the bill came up for floor debate, Rep. Springer killed the bill by postponing consideration beyond the deadline for passage of House bills

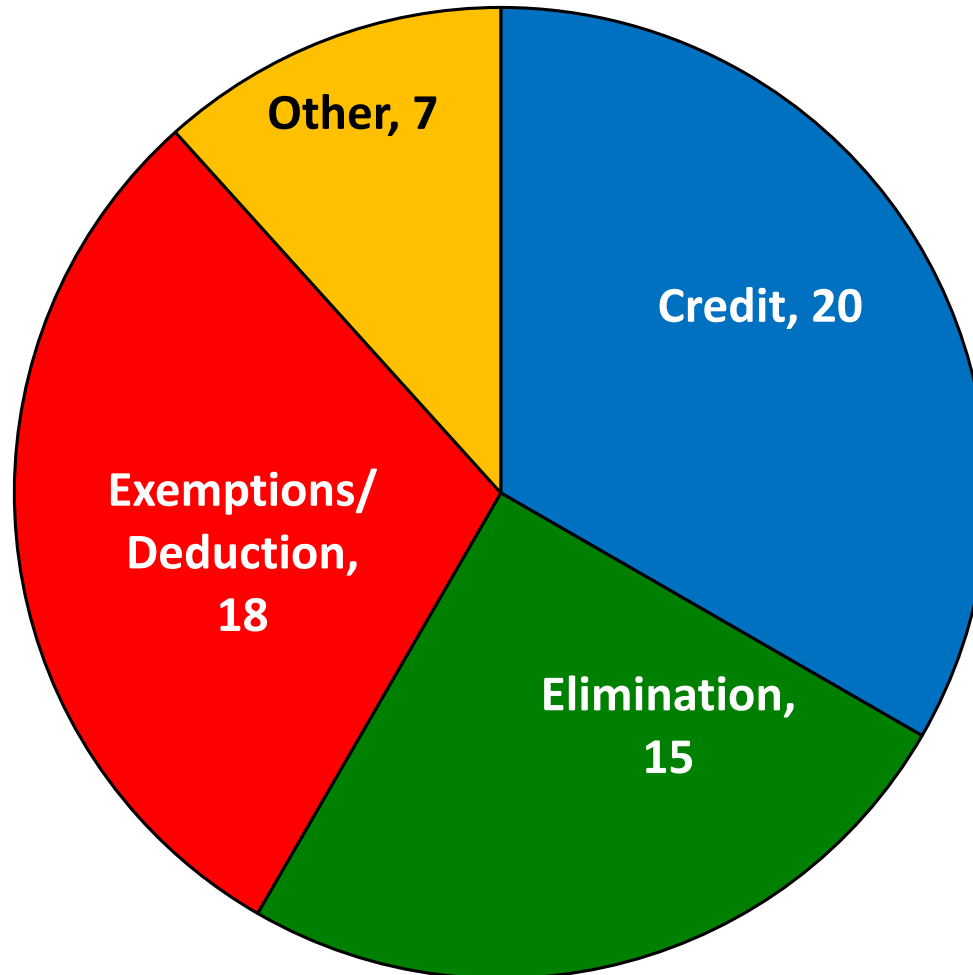
Out-of-State Seller Use Tax Collection

SB 1713 by Uresti

- As Filed
 - Required sales “facilitators” to collect use tax if the seller does not
 - Established “economic nexus” – seller presumed doing business in Texas if annual instate receipts are over \$500,000 or 1,000 sales
- Committee Substitute
 - Removed some facilitators and economic nexus
 - Added out-of-state seller notices to buyers and reporting of sales to Comptroller patterned after Colorado law
 - Sen. Uresti committed to a floor amendment to remove all but the notice and reporting provisions
- Passed Senate Yesterday May 10
 - Sen. Uresti floor amendment completely changed bill to require Comptroller report by 12/1/18 studying methods to increase use tax collections, other state actions, fiscal impact and technology costs, and constitutional issues in consultation with the Attorney General

Franchise Tax

Franchise Tax 60 Bills Introduced



Living, Breathing Franchise Tax Bills (passed one house)

HB 423 by Wray: Cost of goods sold for ready-mixed concrete (\$1 ml annual cost, starting in 2020) referred to Finance

HB 2126 by Button: Allows retailer sale of pre-paid calling cards (Comptroller bill: no state revenue loss) Senate hearing set

HB 3392 by Murphy: Exemption for farmer-fruit grower co-operatives (no state revenue loss) referred to Finance

HB 4002 by Bonnen: Definition of production (installation) (Comptroller bill: no state revenue loss) referred to Finance

Living, Wheezing Franchise Tax Bills (out of committee)

HB 2250 by Darby: Uniform rental qualifies as a retail activity (\$2.6 annual loss, starting in 2019) on House Calendar

HB 3345 by Springer: Interest is not passive income for active lenders (Comptroller bill: no state revenue loss) on House Calendar

But all eyes are on...

	Senate Bill 17	House Bill 28
Author	Finance Chair Nelson	W&M Chair Bonnen
What it Does	Phases out the franchise tax by incrementally and proportionately reducing all rates of the tax	
Method of Finance	One half of future revenue growth in excess of 5 percent each biennium	The first \$3.5 billion of any cash balance at the end of future biennia

Thanks for Joining Us!

If you have any questions or comments, please feel free to contact TTARA staff.

Franchise Tax & State Budget: Dale Craymer	<u>dcraymer@ttara.org</u>
Sales & Property Tax: John Kennedy	<u>jkennedy@ttara.org</u>
School Finance: Sheryl Pace	<u>space@ttara.org</u>
Property Tax: Debbie Cartwright	<u>dcartwright@ttara.org</u>
Property Tax: George Christian	<u>gchristian@ttara.org</u>
Communications: Ryan Ash	<u>ryan@ttara.org</u>
Office Manager: Betty Wranischar	<u>bwranschar@ttara.org</u>
Membership: Nancy Shields	<u>nshields@ttara.org</u>

