

Legislative Preview

86th Legislative
Session

Texas Taxpayers and Research Association
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TTARA

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TTARA has been working on behalf of Texas taxpayers for more than 60 years

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Agenda

1. Dates of Interest
Dale Craymer
2. The Legislative Process
Dale Craymer
3. Texas' Fiscal Outlook
Dale Craymer
4. Property Tax
Debbie Cartwright
5. School Finance
Sheryl Pace
6. Sales Tax
John Kennedy
7. Unclaimed Property
John Kennedy
8. Franchise Tax
Dale Craymer
9. Predictions?

Dates of Interest

86th Legislative Session

TTARA Legislative & Tax Policy Group Meetings

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

Date	Legislative 9:00 am - 10:00 am	Property Tax 10:00 am - 12:00 pm	State Tax 10:00 am - 12:00 pm
January 16	✓	✓	
February 13	✓		✓
February 27	✓	✓	
March 13	✓		✓
March 27	✓	✓	
April 10	✓		✓
April 24	✓	✓	
May 8	✓		✓
May 22	✓	✓	
June Wrap-up TBD	✓		

2019 Monthly Webcast Updates through the Legislative Session

(Continuing education credits offered)

All webcasts will be on a Thursday starting at 9:00 a.m. and will last approximately an hour.

- January 10
- February 14
- March 7
- April 11
- May 9
- June 6
- September 12
- December 5

2019 Spring Luncheons

Dallas Area Luncheon

**Wednesday,
April 17, 2019**

La Cima Club
Irving, Texas

Houston Area Luncheon

**Thursday,
April 25, 2019**

The Downtown Club
Houston, Texas

2019 Annual Meeting & Golf Tournament

Annual Golf Tournament

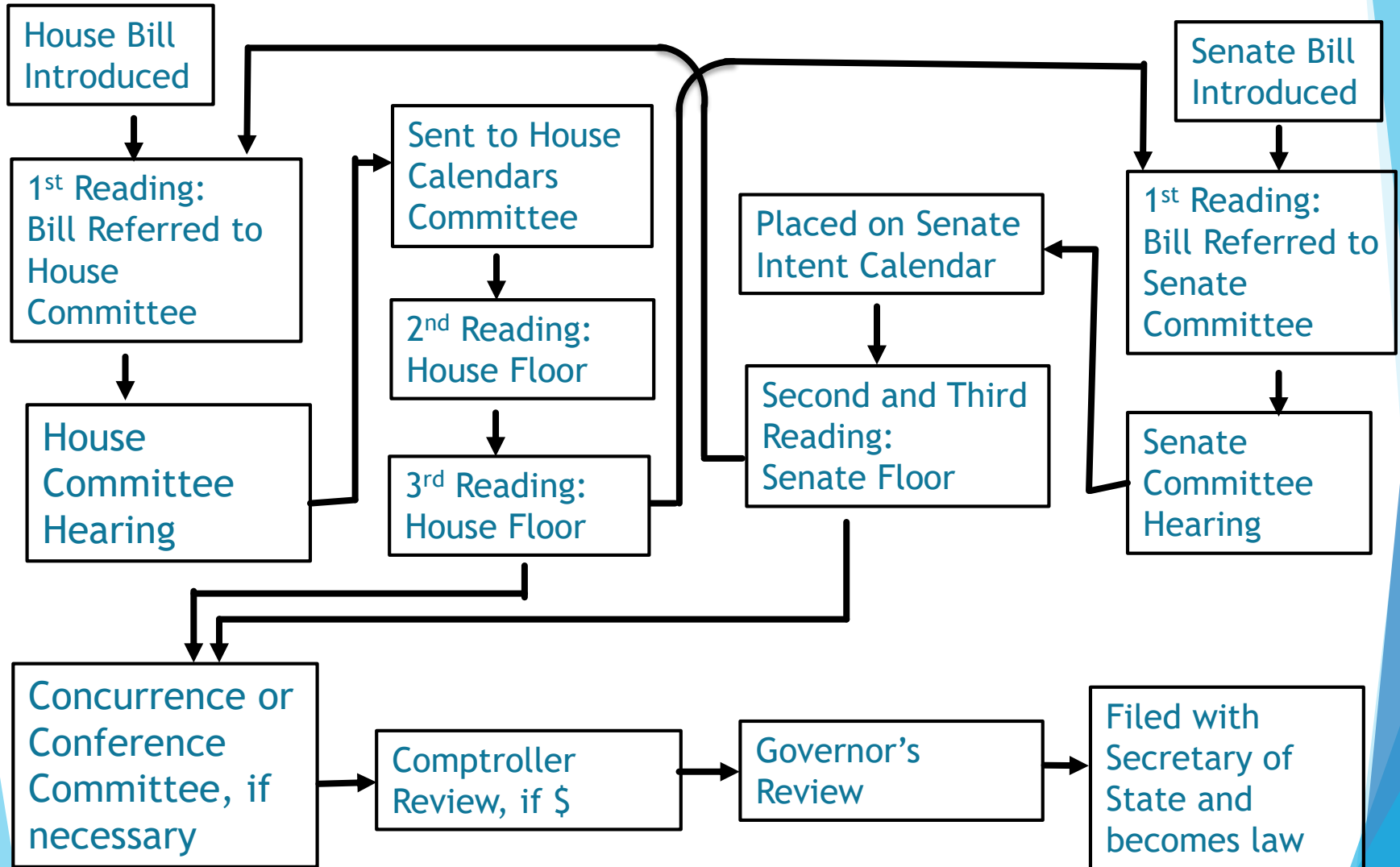
**Tuesday,
June 4, 2019**
Falconhead
Golf Course
Austin, Texas

TTARA Annual Meeting

Nov. 14-15, 2019
J.W. Marriott
Austin, Texas

The Legislative Process

How a Bill Becomes Law



Bill Statistics

Action	House	Senate	Total	Success Rate
Bill Introduced	4,444	2,356	6,800	100%
Heard in Committee	2,593	1,178	3,771	55%
Passed Out of Committee	1,904	1,015	2,919	43%
Scheduled on Floor of First Chamber	1,518	962	2,480	36%
Passed First Chamber	1,048	884	1,932	28%
Passed Second Chamber	722	526	1,248	18%
Governor Approved and Became Law	664	503	1,167	17%

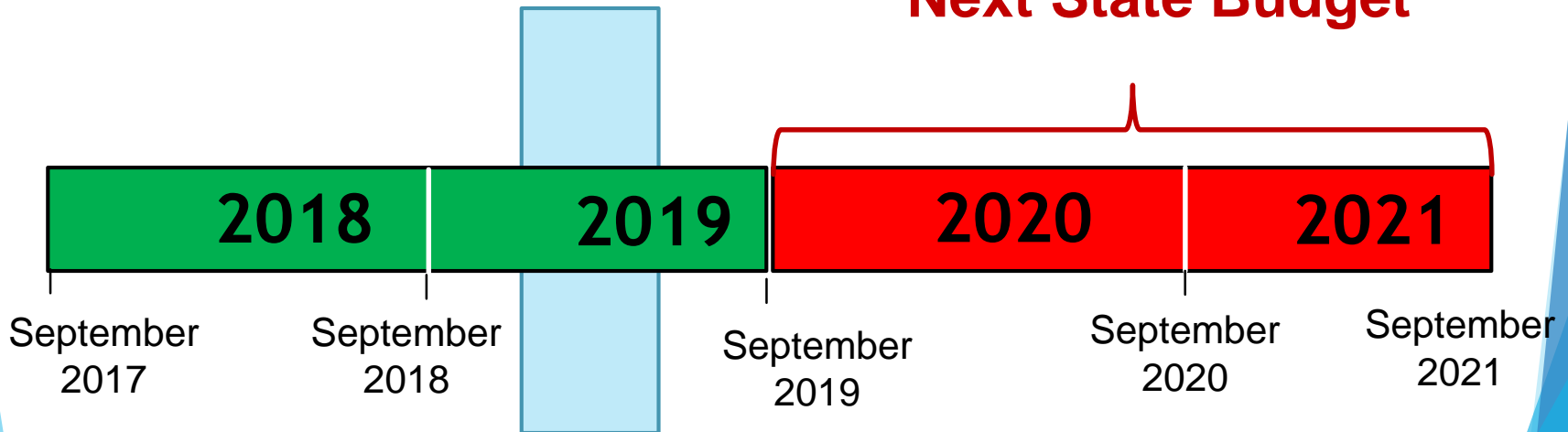
Money Legislation

- The Comptroller is the budget referee. At the start of each legislative session he must inform lawmakers how much money is available to spend.
- During the session, the Legislative Budget Board sends any bill that has a fiscal impact to the Comptroller. The Comptroller's estimate is provided to lawmakers in a "fiscal note."
- The state budget, and ANY legislation that appropriates money, once passed is sent to the Comptroller for his review.
- If the Comptroller estimates that sufficient revenue is available, he signs the bill and it is sent on to the Governor for final review (veto/approval).

Texas' Legislative Timeline

**2019 Legislative
Session
January - May**

Next State Budget



Texas' Fiscal Outlook

2018-19 “One-Times” and the Impact on the 2020-21 Budget

	Original Estimate (\$ billions)
Borrowed from Highway Fund (incl payback)	(\$3.6)
Deferred Medicaid Funding	(\$2.5)
One-time Use of Dedicated Accounts	<u>(\$1.2)</u>
Total	~ (\$8.0)

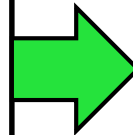
“It’s the Economy, Stupid”

Variable	Certification Revenue Estimate	
	October 2017	July 2018
Gross State Product	6.2 %	7.0 %
Employment	2.1 %	2.5 %
Price of Oil (\$bl)	\$ 52	\$ 62

A Revision Better-than-Advertised

Comptroller's Revision

Sales Tax	↑ \$2.7 bl.
Severance Taxes	↑ \$3.4 bl.
Other Sources	↑ <u>\$0.8 bl.</u>
Total, All Sources	↑ \$6.9 bl.



Where the New Money Goes

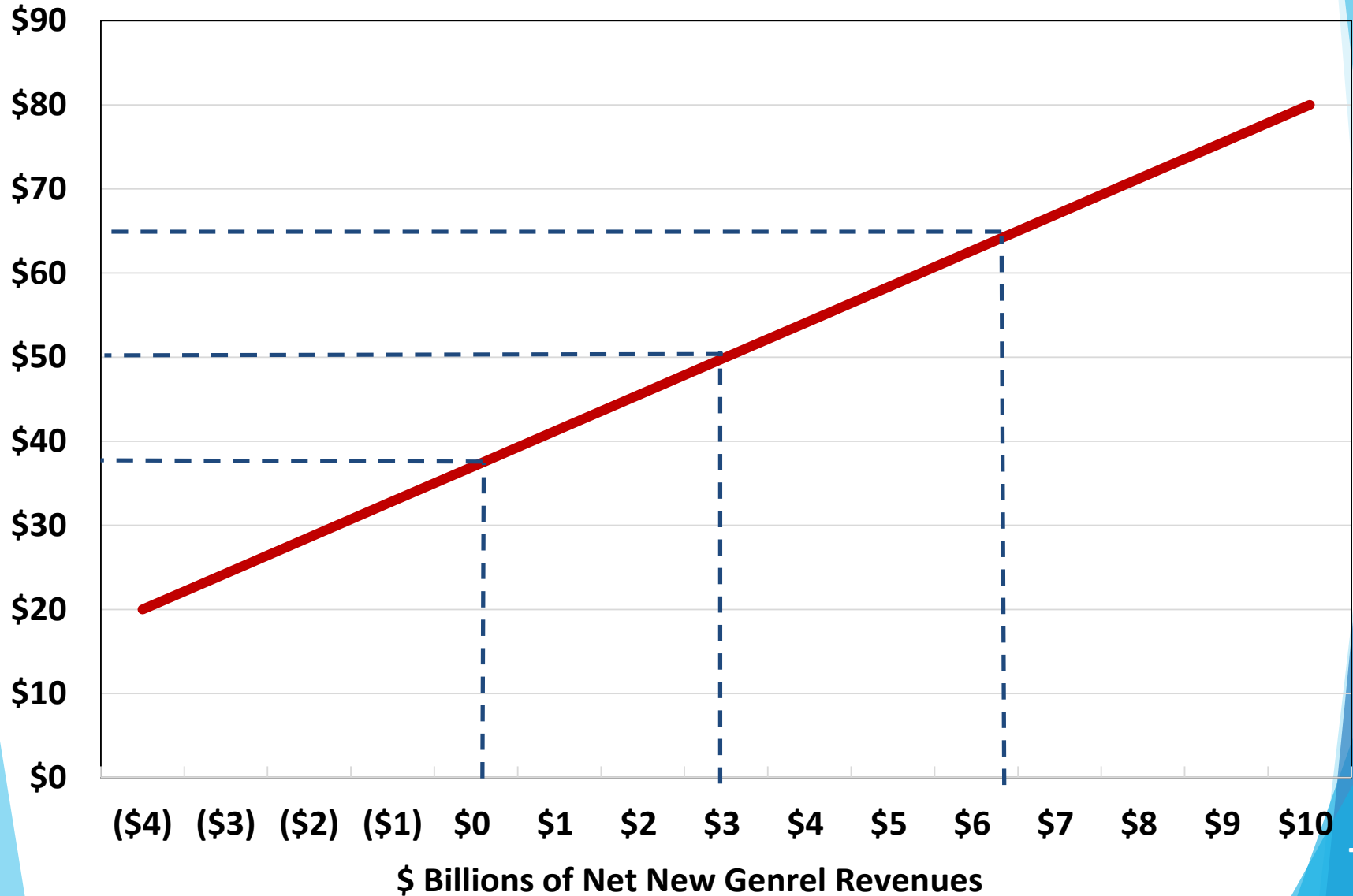
General Revenue	↑ \$2.7 bl.
Economic Stabilization Fd	↑ \$1.3 bl.
State Highway Fund	↑ <u>\$2.8 bl.</u>
Total, All Sources	↑ \$6.9 bl.

2018-19 “One-Times” and the Impact on the 2020-21 Budget

	Original Estimate (\$ billions)	Revised Estimate (\$ billions)
Borrowed from Highway Fund (incl payback)	(\$3.6)	(\$0.5)
Deferred Medicaid Funding	(\$2.5)	(\$0.0)
One-time Use of Dedicated Accounts	<u>(\$1.2)</u>	<u>(1.2)</u>
Total	~ (\$8.0)	~ (\$1.5)

How Much New Money Will Texas Have?

WTI Oil Price Per Barrel

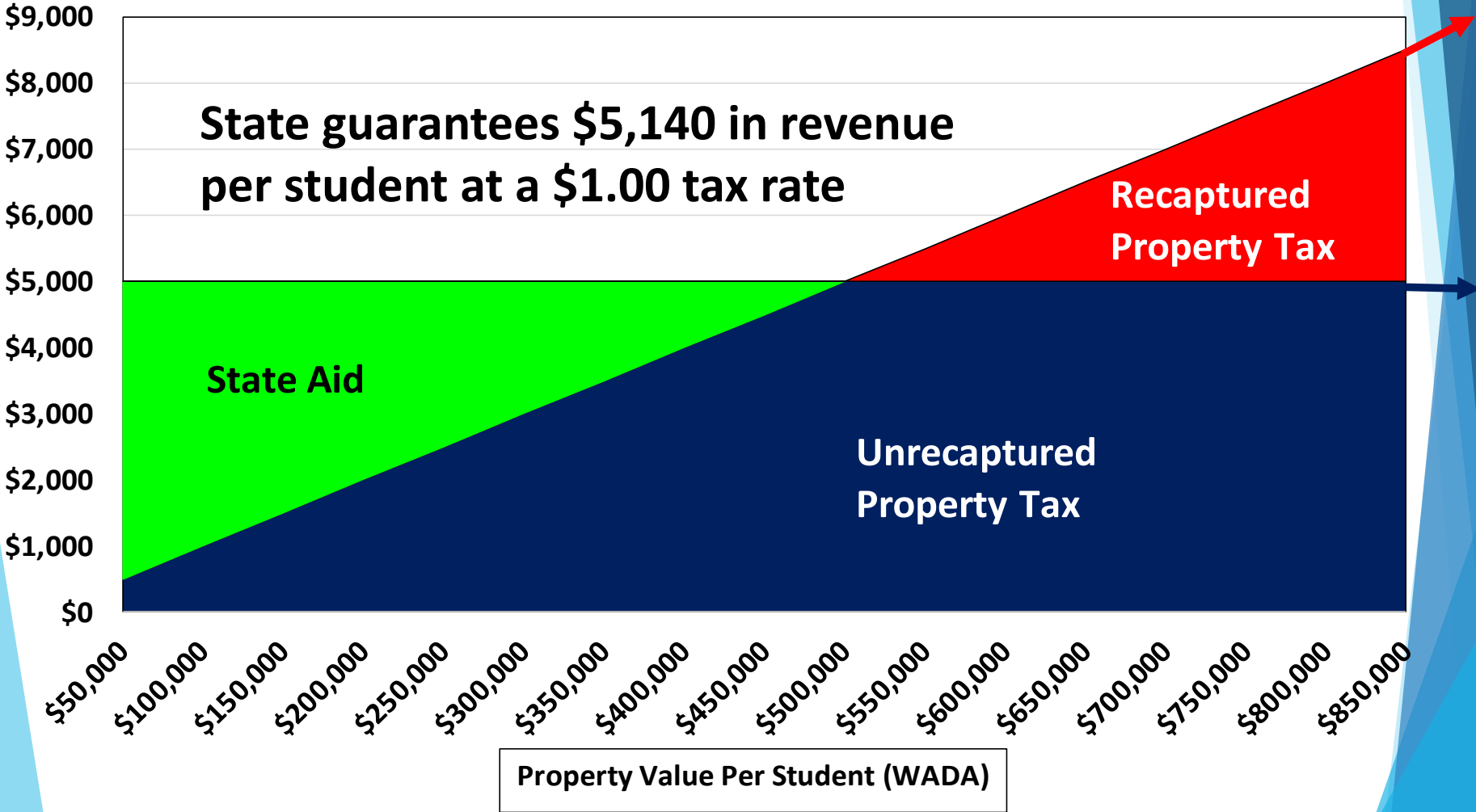


2020-21 Budget Pressures

Dollars are in billions

Medicaid	~ 2.5
Retired Teacher Health Insurance	~ 0.4
Teacher Retirement Pension	~ 1.7
State Employee Retirement	~ 0.5
Texas Tomorrow Fund	~ 0.6
State Employee Insurance	<u>~ 0.5</u>
Total, Selected Issues	~ \$ 6.2
Public Education	~(\$3.5)

Public School Funding and State Aid



Property Tax

Chapter 312, Tax Code

Property Redevelopment and Tax Abatement Act

- Provides temporary property tax exemptions for new investment by cities, counties, and special districts only
- Expires on September 1, 2019, unless reauthorized
- Two bills filed to reauthorize: SB 118 by West and HB 360 by Murphy changing expiration date to September 1, 2029
- Enacted in 1987 and reauthorized by Legislature three times
- No fiscal impact on the State and school districts
- Exemptions of any percentage amount for a period of no more than 10 years

Chapter 312, Tax Code

Property Redevelopment and Tax Abatement Act

- Public hearings required to designate reinvestment zones and develop guidelines
- Governing body majority approval of each abatement agreement required
- Exemptions for new construction and expansions of facilities, not existing property
- “Claw-back” provisions and annual applications required in written agreements

Chapter 313, Tax Code

Texas Economic Development Act

- Creates appraised value limitations for qualified investments in school districts only
- Expires December 31, 2022
- Enacted in 2001 after school districts prohibited from participating in Chapter 312 agreements
- Investments limited to projects related to manufacturing and other specified property uses
- Includes job, minimum investment, and other requirements for qualification

Chapter 313, Tax Code

Texas Economic Development Act

- Comptroller approval of applications required
- School board approval of applications
- Written findings of economic impact
- Appraised value limitations not to exceed 10 years for qualifying projects
- “Claw-back” provisions for non-compliance and significant reporting required
- Re-authorization by the Legislature in 2021

Real-time Tax Notices

- Considered in the 2017 real and special sessions
- Part of omnibus property tax bills that included rollback provisions and failed
- Often called tax rate transparency legislation
- Important for taxpayers to understand the impact of tax rate setting—not just appraisals—on the amount of taxes they pay locally
- Term “**effective**” tax rate changed to “**no-new-revenue**” tax rate
- Deletes estimated taxes from the notice of appraised value delivered by the appraisal district annually

Real-time Tax Notices

PROPOSED 2019 PROPERTY TAX BILL INFORMATION

Information concerning the 2019 property taxes on your property proposed by your local taxing units, together with information about expressing your support for or opposition to the proposed property taxes, may be found in the real-time tax notice at the website listed below:

www.traviscountytaxinfo.com

If you do not have access to a computer, you may request tax rate information for each taxing unit in which your property is located from the county tax assessor-collector. The same information found on the website will be provided to you in writing if you request it. The Travis County Tax Assessor-Collector may be contacted by mail at 5501 Airport Blvd, Austin, Texas 78751, or by telephone at 512-854-9473.

Real-time Tax Notices

- To meet constitutional requirement for reasonable notice of property taxes, separate notices to individual property owners in August each year
- Property owners notified about the county-wide website maintained by the appraisal district
- Information about proposed, no-new-revenue, and rollback tax rates and their impact on taxes based on certified values on website
- Also information about dates, times, and locations of public meetings by taxing units

Real-time Tax Notices

- Links on website to individual taxing unit budgets, audits, and governing body contact information
- Email address provided on website for public comments to governing bodies about proposed tax rates
- Requirement that Comptroller-prescribed tax rate calculation forms be used to determine the no-new-revenue and rollback rates
- Certification of calculation forms that information used is true and correct

Website

Website Information for Property Taxes

Property Address: 123 Sycamore Lane

Legal Description: Lot 18 Block C Frosty Acres Sec 2

Property Identification ID: 624387

Market Value: \$280,000

Jurisdiction	Taxable Value	"No New Revenue" Tax Rate (per \$100 of value)	Proposed Tax Rate	Tax on Property at "No New Revenue" Tax Rate	Tax on Property at Proposed Tax Rate	Proposed Tax Increase	Date of Public Hearing on Tax Rate	Location of Public Hearing
<u>County</u>	\$277,000	\$0.38	\$0.40	\$1,052.60	\$1,108.00	\$55.40	Aug 15, 2017	211 Main St, City
<u>School District¹</u>	\$255,000	\$1.38	\$1.38	\$3,519.00	\$3,519.00	\$0.00	Aug 1, 2017	457 Red Rock Ln, City
<u>City</u>	\$280,000	\$0.47	\$0.52	\$1,316.00	\$1,455.60	\$145.60	Aug 18, 2017	477 Sunny Dr, City
<u>Junior College District</u>	\$280,000	\$0.05	\$0.05	\$140.00	\$140.00	\$0.00	Aug 16, 2017	100 Travis St, City
<u>Special District #1</u>	\$280,000	\$0.08	\$0.08	\$224.00	\$224.00	\$0.00	Aug 18, 2017	300 Calvert, City
Total				\$6,251.60	\$6,452.60	\$201.00		

¹ The school district "no new revenue" tax rate is one which would generate the same amount of state aid and local revenue per weighted student under current school finance formulas as in the previous year.

Note: Clicking on the name of the jurisdiction will launch a web page with the following information for that jurisdiction:

- Members of the Governing Board
- Contact Information for Each Member
- Property Tax Rates
 - Maintenance and Operation
 - Debt Service
- Historical Information for the Jurisdiction on:
 - General Revenue Spending
 - Property Taxes Collected for
 - Maintenance and Operation
 - Debt Service

Real-time Tax Notices

- Injunctive relief for property owners enhanced if procedures not followed by taxing units
- Governing bodies of taxing units prohibited from setting tax rates if information not provided for website seven days before scheduled public meeting
- Taxing units required to maintain websites or have access to websites for posting information
- See website prototype created by Travis Central Appraisal District at www.TravisTaxes.com

Property Tax Exemptions

Filed bills:

- Seven (7) constitutional amendments filed addressing exemptions, appraised value limitations, or tax “freezes”
- Nine (9) statutory changes dealing with new exemptions, eligibility for existing exemptions, value limitations, and tax “freezes”

Property Tax Exemptions

- **HJR 26 and HB 322** by Rep. Charlie Geren (R—Fort Worth): campaign promise by Lt. Gov. Dan Patrick to require property tax “freezes” for persons age 65 and older by all taxing units, not just school districts
- **HB 297** by Rep. Andrew Murr (R—Junction): repeal of the school district maintenance and operations tax rate and replaces it with state funds from a 12% state sales tax

Other Bills Filed

- **SB 202** by Sen. Joan Huffman (R—Houston) and **HB 274** by Rep. Sarah Davis (R—Houston): different approaches for mandatory reappraisal of property damaged by a disaster declared by the governor; proposes a disaster reinvestment and infrastructure planning revolving fund from State appropriations, federal money, gifts, and grants

Other Bills Filed

- **SB 67** by Sen. Jane Nelson (R—Flower Mound) and **HB 54** by Rep. John Zerwas (R—Richmond): procedural changes to appraisal review board training and operations, as well as issues related to property tax arbitrators
- **SB 118** by Sen. Royce West (D—Dallas) and **HB 360** (R—Houston): extension of the property tax abatement program for local taxing units until 2029

Rollback Tax Rates

- Current law rollback limit: 8% increase in property tax revenue over prior year for cities, counties, and special districts before voter petitions allowed
 - Regular and special sessions in 2017:
 - House version—6% increase in property tax revenue over prior year for cities, counties, and special districts before triggering an automatic election; applied only to these taxing units if more than \$25 million in taxes
 - Senate version—4% increase in property tax revenue over prior year for cities, counties and special districts before triggering an automatic election; applied only to these taxing units if more than \$20 million in taxes
- No legislation passed.

Governor's Property Tax Plan

- Announced on January 16: restraining growth of property taxes and addressing local debt
- Limitation on property tax levies for all taxing units, including school districts, of 2.5% (except for new construction)
- Supermajority vote (2/3's) of governing body and public to exceed 2.5%
- Over 2.5% property tax revenue increases only for first responder and teacher compensation or critical infrastructure (roads, bridges, and classrooms); may never exceed the statewide increase in population plus inflation as calculated by the Comptroller

Governor's Property Tax Plan

- Prohibition for Legislature to impose unfunded mandates on cities and counties, without and at the same time providing appropriate funding
- Changes to appraisal district administration, appraisal review board operations, and creation of taxpayer real-time tax notices and other transparency measures
- Supermajority vote (2/3's) of governing body and public to approve and issue new debt
- Restrictions on certificates of obligation and use of debt, as well as requirements for information on bond election ballots

School Finance



Incoming Speaker Dennis Bonnen *(R-Angleton)*

“Having talked to numerous members, I can guarantee our top priority will be school finance.”

Press Conference November 12, 2018



Lt. Governor Dan Patrick

“Skyrocketing property taxes are threatening homeowners and hurting businesses. We must reduce property taxes now.”

Campaign Ad February 13, 2018



Governor Greg Abbott

*“School finance reform must
be accompanied by reforms
in property taxes.”*

Dallas Morning News Op Ed
August 29, 2018

Governor's School Finance Proposal

Taxable value and levy increases by 6½% next year



State aid replaces 4%

2½% growth over previous year



School District
Property Tax Levy at
\$1.00 rate

School District
Property Tax Levy at
\$0.96 compressed
rate

Governor's School Finance Proposal (cont.)

Governor's projections over 5 years for **M&O tax rates** for Austin ISD, Dallas ISD, and Houston ISD with 2 ½% limitation :

	2018 M&O Rate	Projected M&O Rate After 5 Years	Reduction in M&O Rate After 5 Years
Austin ISD	\$1.08	\$0.84	- \$0.24
Dallas ISD	\$1.04	\$0.83	- \$0.21
Houston ISD	\$1.04	\$0.89	- \$0.15

Data Source: Governor's staff presentation 10/29/18

Increases/Decreases in School District Values 2016-2017

	# School Districts	Range	
Decreased Value	183	- 0.02%	- 56.59%
0% - 2 ½% Increase	127	0.03%	2.47%
2 ½% - 10% Increase	480	2.51%	10.00%
10% - 20% Increase	180	10.02%	20.00%
20% - 30% Increase	25	20.05%	28.88%
30% - 40% Increase	12	30.82%	39.38%
40% + Increase	11	40.07%	68.20%
Total	1,018	7.19%	

Data Source: Texas Education Agency Final CPTD Values; TTARA calculations

Governor's School Finance Proposal (cont.)

Governor's projections over 5 years for **recapture** with 2½% limitation:

	Recapture Current Law (Billions)	Recapture 2 ½% Proposal (Billions)	Current Law Recapture % of total state and local funding	2 ½% Proposal Recapture % of total state and local funding
2018	\$2.1	\$1.9	4.2%	3.9%
2019	\$2.6	\$2.4	5.1%	4.6%
2020	\$3.3	\$2.3	6.4%	4.3%
2021	\$4.1	\$2.5	7.7%	4.7%
2022	\$4.9	\$2.5	9.0%	4.7%
2023	\$5.8	\$2.8	10.5%	5.1%
		-\$3.0 (52%)		-5.4%

Data Source: Governor's staff presentation 10/29/18

Governor's School Finance Proposal (cont.)

Governor's projections over 5 years for **recapture** with 2½% limitation:

	2023 Recapture Current Law (Billions)	2023 Recapture 2 ½% Proposal (Billions)	Reduction in Recapture (Billions)	% Reduction Over 5 Years
Austin ISD	\$1.244	\$0.743	- \$0.501	40%
Dallas ISD	\$0.432	\$0.096	- \$0.336	78%
Houston ISD	\$0.668	\$0.315	- \$0.353	53%
Total Reduction	\$2.344	\$1.154	- \$1.190*	51%
Over 5 Years				

* 40% of total statewide reduction in recapture over 5 years is in Austin ISD, Dallas ISD, & Houston ISD

Data Source: Governor's staff presentation 10/29/18

Governor's School Finance Proposal (cont.)

Recommendations that Mirror the School Finance Commission	Annual Cost (millions)
Repeal Cost of Education (CEI)	- \$2,900
Increase the Basic Allotment (not included in total below)	+ \$2,900
Base Compensatory Education Funding on campus needs	+ 1,100
Create new Dual Language allotment	+ 50
Create new 3rd Grade Reading allotment for economically disadvantaged/ELL students in grades K-3	+ 780
Create new 3rd Grade Reading Incentive Program to provide incentive funding for 3 rd graders reaching reading proficiency	+ 400
Create new College, Career & Military Readiness Incentive program	+ 400
Create New Teacher Compensation Incentive program	+ 100
Total Cost	+ \$2,830

Source: Governor's staff presentation 10/29/18; costs from School Finance Commission

Governor's School Finance Plan (cont.)

Other Possible Aspects of Governor's Proposal

Require 2/3 majority
of school board and
voters to increase
rate


Require 2/3 majority
of voters to approve
bonds

Move to current year
values in formulas
(\$1.8 billion
1 year savings)

Allow school districts
to send recapture
payments to charter
schools within their
boundaries

Texas Commission on Public School Finance

Expenditure Working Group Recommendations

 = Part of Governor's Staff Presentation

Recommendations to Provide Funds	Annual Savings (millions)
Repeal Cost of Education (CEI); reallocate funds	\$2,900
Repeal 1993 hold harmless; reallocate funds	\$30
Repeal Chapter 41 early agrmt credit; reallocate funds	\$50
Repeal Gifted and Talented weight; reallocate funds	\$165
Repeal \$275 high school allotment; reallocate funds	\$400
Move to current year values in formulas (1 year)	\$1,800
TOTAL FUNDS AVAILABLE FROM CHANGES	\$5,345
Less revenue from current year values 2 nd Year	\$1,800
TOTAL FUNDS AVAILABLE AFTER 1st YEAR	\$3,545

Texas Commission on Public School Finance

Expenditure Working Group Recommendations

 = Part of Governor's Staff Presentation

Recommendations for Changes NOT in Governor's Proposal	Annual Cost (Millions)
Base Transportation Funding on mileage (not linear)	-0-
Provide Transportation Funding to Chapter 41 districts	\$60
Recreate Small/Mid-Size District adjustments as a stand-alone allotment	\$400
Increase New Instructional Facility Allotment (NIFA) appropriation to \$100 million per year	\$74
Expand Career & Technology allotment to include courses in 6th – 8th grade	\$20
Create new Dyslexia allotment	\$100
Create an Extended Year Incentive program to provide additional instruction days for students in Pre-K through 5 th grade	\$50

Texas Commission on Public School Finance

Expenditure/Outcomes Working Group Recommendations




= Part of Governor's Staff Presentation

Recommendations for Changes in Governor's Proposal	Annual Cost (Millions)
Base Compensatory Education Funding on campus needs	+ 1,100
Create new Dual Language allotment	+ 50
Create new 3rd Grade Reading allotment for economically disadvantaged/ELL students in grades K-3	+ 780
Create new 3rd Grade Reading Incentive Program to provide incentive funding for 3 rd graders reaching reading proficiency	+ 400
Create new College, Career & Military Readiness Incentive program	+ 400
Create New Teacher Compensation Incentive program	+ 100
TOTAL COST	\$3,534

Texas Commission on Public School Finance

Expenditure Working Group Recommendations

 = Part of Governor's Staff Presentation

Recommendations for Changes IF Money is Available	Annual Cost
Increase the Basic Allotment \$100 increase ~ \$725 million (<i>TTARA estimate</i>)	TBD
Link Copper Penny yield to a percentage of the Basic Allotment – yield would increase	TBD
Link Golden Penny yield to a set percentile of wealth per student instead of Austin ISD – yield would decrease	TBD

Texas Commission on Public School Finance

Revenue Working Group Recommendations

Revenue Working Group Recommendations

1. Spend part of increase in general revenue over previous biennium on public education.
2. Use growth over 2 ½% in property taxes to **compress tax rates**.
(Governor's Proposal)
3. Use part or all of recapture to **compress tax rates** uniformly statewide.
(TTARA Proposal)
4. Divide state revenue freed up by property value growth into **thirds** and spend it for additional spending on schools, reducing recapture, and compressing tax rates. *(Lindale ISD Proposal)*
5. Dedicate increase in **severance tax collections** to public education funding.

Sales Tax

No Fundamental Changes on Horizon

- Ghosts of Sessions Past Yet To Appear
 - Increase tax rate to buy down property taxes
 - Expand tax base
 - Eliminate exemptions
 - Tax more services
 - Reduce pre-payment & timely-filer discounts
 - Bust the aggregate 2% local tax rate cap

Exemptions, Exemptions, Exemptions

- College textbooks
- Personal and tablet computers, and e-readers under \$750
- Firearm safety devices
- Feminine hygiene products
- Child and adult diapers
- Condoms

“Wayfair” Implementation

- Draft amendment to Rule §3.286 concerning Seller’s and Purchaser’s Responsibilities
 - Publication in October 19 *Texas Register* (43 TexReg 6933) began 30-day public comment period – effective January 1, 2019
 - Required compliance postponed to October 1, 2019
 - Amends the rule’s current definition of “engaged in business” by deleting any reference to a “physical presence” test and instead tracks the statutory definition in Tax Code §151.107
 - No substantive change intended for what now constitutes doing business in-state except for deleting physical presence requirement
 - Adds a “safe harbor” threshold of \$500,000 of prior year in-state sales before registration and collection is required

“Wayfair” Implementation

- Comptroller’s Proposed Legislation
 - Amend definition of “seller” and “retailer” in Tax Code §151.008 to include to include “marketplace platforms” used by third parties to facilitate a sale
 - Amend Tax Code §151.059 to allow nonresident remote sellers to remit local sales taxes at a weighted average local tax rate instead of actual rates

“Wayfair” Implementation

- Draft Bill – Marketplace providers
 - Makes marketplace providers responsible for tax collection
 - Marketplace is any physical or electronic medium through which third party sellers offer taxable items for sale
 - Marketplace provider owns or operates a marketplace and processes sales or payments for third-party sellers
 - Marketplace seller must furnish all information required for correct tax collection and any tax deficiency is responsibility of seller if provider in good faith relied on seller’s incorrect information
 - Sellers and providers that are affiliates or associates are jointly and severally liable for deficiencies
 - Sales are consummated at location to which item is shipped or delivered or where customer takes possession
 - By rule Comptroller may exempt providers from some or all requirements
 - No class action suits against providers
 - Effective 10/1/2019

“Wayfair” Implementation

- SB 119 by West
 - Adds to the definition of a retailer engaged in business (and therefore obligated to collect and remit sales and use tax) one that in the previous year had receipts from taxable items delivered, including electronically, to Texas purchasers of more than \$100,000 or at least 200 sales.
 - New revenue deposited in Property Tax Relief Fund.
 - Effective 9/1/2019.

“Wayfair” Implementation

- Single local tax rate for remote sellers – SB 70 by Nelson
 - Remote sellers may elect to collect and remit local sales taxes at a single combined rate
 - Rate is estimated average local rate for the preceding year
 - Computed by dividing total local sales tax collections by total state tax collections multiplied by the 6.25% state rate rounded to the nearest .25% - currently would be 1.75%
 - Purchasers at locations where total local rate is less than the single rate may apply for a refund of overpaid tax
 - Total single rate collections distributed to local taxing entities based on their percentage share of total state and local tax collections

Unclaimed Property

Comptroller's Initiative

- Enhanced Enforcement Authority
 - Comptroller is having difficulty gaining access to the information needed to audit compliance
 - The unclaimed property law (Chapter 74, Property Code) allows the Comptroller, Attorney General or their authorized agent to examine the books and records of holders unclaimed property
 - Must go to court to compel compliance
 - In essence Comptroller wants to make the audit and enforcement tools applicable to state tax administration in Chapter 111, Tax Code, applicable to unclaimed property, especially the ability to subpoena property holders to appear and/or produce books and records
- Last session, HB 2829 by Oliviera would have allowed a Comptroller's "designee" to exercise expanded enforcement authority
 - Comptroller agreed to remove the designee provision but bill did not pass

TTARA Policy

Principles: The state's primary role over unclaimed property is to aid in returning it to its rightful owners; it is not to raise money for the state or to punish businesses. Amounts turned into the state should be tied to specific records and not based on sampling.

Policy Positions:

- **TTARA supports** reasonable requirements for businesses to maintain unclaimed property records for a period not to exceed seven years.
- **TTARA opposes** the use of third-party contractors to audit unclaimed property records.

Franchise Tax

Franchise Tax: The Tax Everyone Loves to Hate

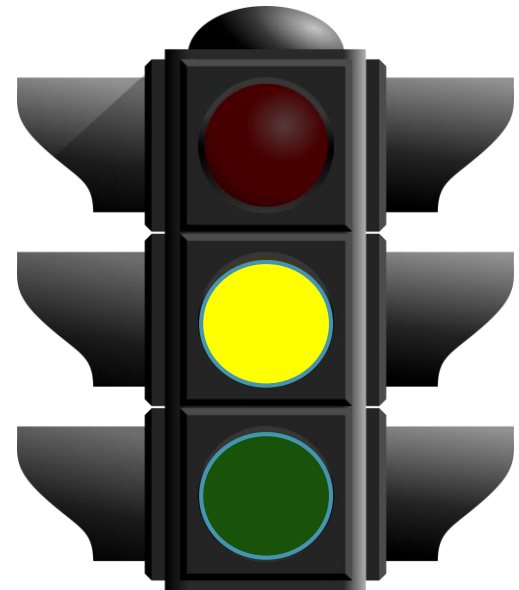
- Much as the tax is hated, there will NOT be a firm reduction in the tax rate. Instead any tax cuts passed this session will be based on undetermined revenue:
 - SB 66 by Nelson would use one-half of future biennial revenue growth in excess of 5 % to reduce rates proportionately
 - HB 28 by Bonnen (from 2017) would have used the first \$3.5 billion of realized surplus state revenue to reduce rates proportionately
- Senator Schwertner has promised to introduce legislation increasing the small business exemption from \$1 million to \$4 million

Franchise Tax: Federal Acquisition Regulations (FAR)

- Texas defense contractors will advance a proposal to conform their franchise tax base to that specified under federal acquisition regulations (FAR)
- In recent years, federal defense contract manufacturing in Texas has lagged other key states
- Comptroller estimates that conforming to FAR would result in a \$14 million annual revenue loss to the state

Research and Development: Caution!!!

- **HB 800 by Murphy in 2013**
provided taxpayers with a choice of a sales tax exemption on equipment used in R&D or a traditional IRC-style franchise tax credit
- Substantial sales tax refund claims by oil and gas and construction for activities the agency does not view as R&D
- Franchise tax credits claimed (and processed) have far exceeded initial estimates



Predictions?

Thanks for Joining Us!

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

Franchise Tax & State Budget: Dale Craymer

dcraymer@ttara.org

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