

TTARA Webcast Update on Tax and Fiscal Issues

April 13, 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. Economic Development**
- 4. Property Tax**
- 5. School Finance**
- 6. Sales Tax**
- 7. Tax Administration**
- 8. Franchise Tax**
- 9. Budget**

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

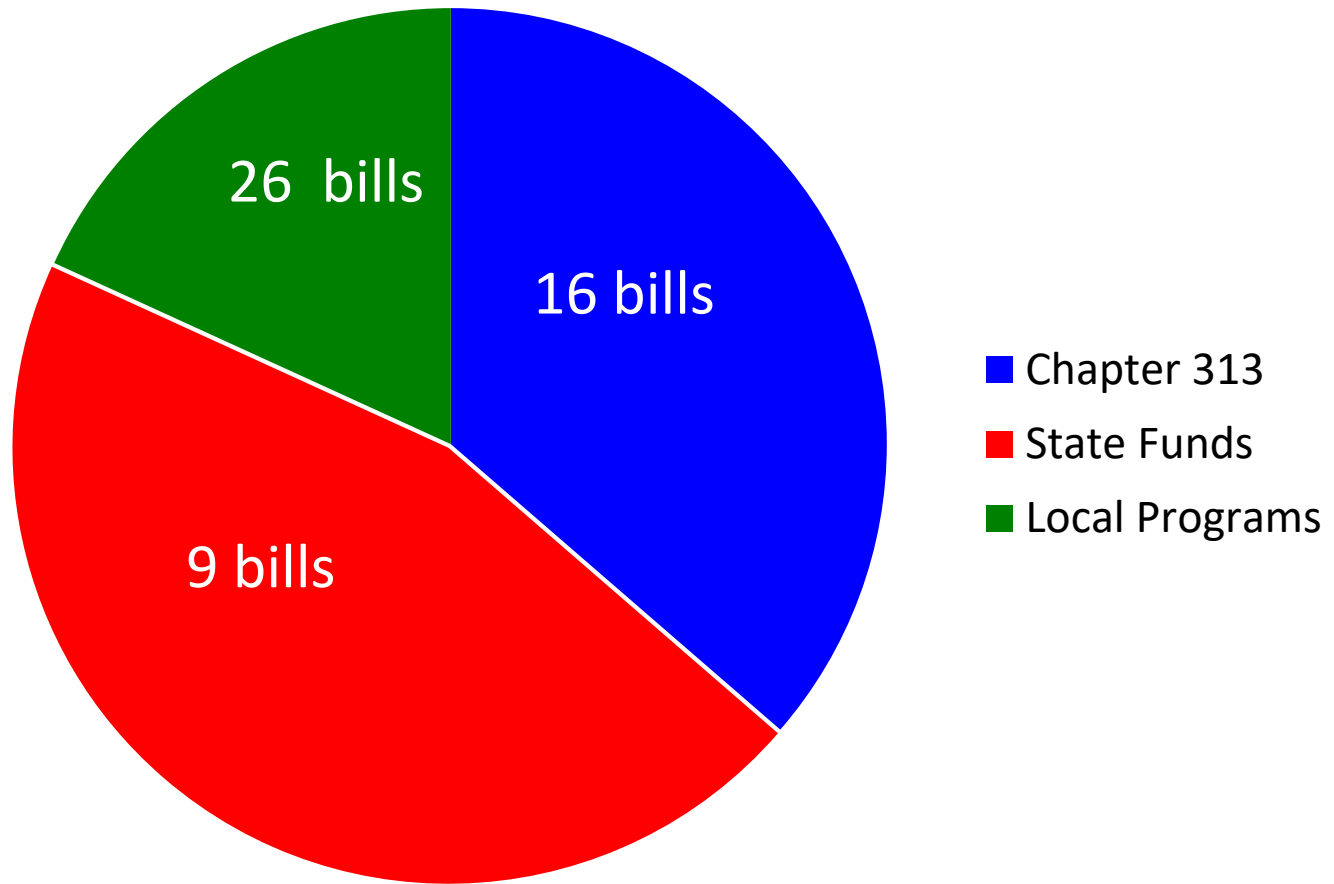
- **Houston Area Luncheon:** April 20 from 11:30 a.m. to 1:00 p.m., The Downtown Center at Houston Club, 1100 Caroline St., Houston, TX 77002
- **Golf Tournament:** June 5 at Falconhead Golf Club, Austin, 1:30 p.m. start.
- **Annual Meeting:** November 30 & December 1, JW Marriot, Austin, TX 78701

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

Economic Development

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.
- Being heard in House Economic and Small Business Development this morning

Chapter 313, cont.

SB 277 by Campbell/HB 445 by Frank:

- Prohibits 313 limitation for a wind project located within 30 miles of a military aviation facility
- Passed out of Senate committee in mid-March; heard in Ways & Means on April 5 and left pending

Chapter 313, cont.

- **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.
- **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.
- None scheduled for hearing as yet

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.
- Being heard in House Economic and Small Business Development this morning.

Tax Increment Financing

SB 650 by Bettencourt:

- Requires the attorney general authority to define by rule the meaning of “unproductive,” “undeveloped,” or “blighted” for purposes of qualifying for the creation of a tax increment zone;
- Requires a city to give at least 7 days’ notice by mail to each property owner, county commissioner, and state senator and representative of the meeting at which the city will vote to issue tax increment bonds or notes;
- Requires a city to provide legally sufficient evidence of eligibility to the attorney general before the initial issuance of tax increment bonds or notes;
- Prohibits funds in a tax increment fund for a zone from being transferred to an adjacent zone.
- Heard in Senate committee on April 4 and left pending

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)
- Passed Senate; House heard on April 12

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

Tracking 362 Bills

Property Tax Bills: Passed Senate

Bill	Subject	Companion Bill
SB 2 by Bettencourt and others	<p>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</p> <p>Received in the House on March 22</p>	
SJR 1 by Campbell and others	<p>Proposing a constitutional amendment to authorize a property tax exemption for all or part of the value of a residence homestead of the surviving spouse of a first responder who is killed or fatally injured in the line of duty</p> <p>Received in the House on March 14</p>	<p>HJR 86 by Button HJR 88 by Fallon</p>
SB 15 by Huffines	<p>Enabling legislation for SJR 1; provides for a total property tax exemption for the residence homestead of the surviving spouse of a first responder (also received in the House on March 14)</p>	<p>HB 570 by Button HB 2524 by Fallon</p>

Property Tax Bills: Passed Senate (continued)

Bill	Subject	Companion Bill
SB 330 by Rodriguez	<p>Qualification of land for open-space appraisal with one year of use history if owned by a veteran of the United States armed forces or a person who is less than 35 years of age who has not been the principal operator of a farm or ranch for any period of more than 10 consecutive years</p> <p>Received in the House on March 30</p>	HB 950 (Rodriguez, Justin)
SB 448 by Burton	<p>Requiring additional taxpayer notification if the chief appraiser determines that a person does not qualify for deferral or abatement of taxes</p> <p>Received in the House on March 23</p>	HB 2028 (Goldman)
SB 510 by Zaffirini	<p>Providing for confidentiality of home address information in the appraisal records for current or former employees of state judges</p> <p>Received in the House on April 4</p>	HB 2106 (Smithee)

Property Tax Bills: Passed Senate (continued)

Bill	Subject	Companion Bill
SB 594 by Creighton	<p>Relating to the procedure for the approval of rules and appraisal manuals adopted by the comptroller relating to the appraisal of qualified open-space land and qualified timber land for property tax purposes</p> <p>Received in the House on March 28</p>	HB 1299 (Springer)
SB 629 by Schwertner	<p>Deleting interest on rollback penalties for the change of use of agricultural or open-space land</p> <p>Received in the House on March 28</p>	HB 2314 (Murphy)
SB 669 by Nelson	<p>Relating to the system for protesting or appeal certain appraisal determinations and changing numerous procedural provisions for appraisal review boards</p> <p>Received in the House on March 11</p>	

Property Tax Bills: Passed Senate (continued)

Bill	Subject	Companion Bill
SB 717 by Taylor, Van	Requiring reappraisal of property damaged in a disaster declared by the governor Received in the House on March 28	HB 513 (Davis, Sarah)
SB 730 by Bettencourt	Exempting income-producing tangible personal property with a value of less than \$2,500, rather than \$500 Received in the House on March 28	HB 1330 (Kuempel)
SB 731 by Bettencourt	Allowing requests for binding arbitration for property valued at \$5 million or less (rather than \$3 million) and adjusting deposit amount Received in the House on March 23	Included in SB 2 and HB 3168 (Geren)

Property Tax Bills: Passed Senate (continued)

Bill	Subject	Companion Bill
SB 929 by Hughes	Relating to continuing education requirements for county tax assessor-collectors Received in the House on April 6	
SB 945 by Bettencourt	Permitting chief appraisers to correct erroneous denials or cancellations of residence homestead exemptions for persons who are disabled or age 65 or older, surviving spouses, and disabled veterans Received in the House on March 28	HB 2227 (Murphy)
SB 972 by Zaffirini	Permitting property owners to request that their property be reappraised if a building is completely destroyed by casualty; requiring the chief appraiser to do so and the proration of taxes accordingly Received in the House on March 23	

Property Tax Bills: Passed Senate (continued)

Bill	Subject	Companion Bill
<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</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>Received in the House on April 5</p>	<p>HB 2813 (Darby)</p> <p>Heard by Ways & Means and pending 04/10/17</p>

Property Tax Bills: Passed Senate Finance Committee

Bill	Subject	Companion Bill
SB 277 by Campbell	Relating to the eligibility of certain property for ad valorem tax incentives relating to wind-powered energy	HB 445 (Frank)
SB 870 by Bettencourt	Relating to the scheduling by an appraisal review board of a hearing on a protest	
SB 946 by Bettencourt	Relating to the deadlines for performing various functions in connection with the ad valorem tax system	HB 2228 (Murphy)
SB 1006 by Nichols	Relating to the eligibility of land used as an ecological laboratory for appraisal for ad valorem tax purposes as qualified open-space land	
SB 1286 by Bettencourt	Relating to the introduction of electronic evidence at appraisal review board hearings and the appointment and removal by the comptroller of arbitrators for purposes of binding arbitration proceedings	HB 3557 (Murphy)

Property Tax Bills: Passed Senate Finance Committee

Bill	Subject	Companion Bill
SB 1345 by Watson	Relating to the exemption from ad valorem taxation of property owned by a charitable organization and used to provide tax return preparation and other financial services without regard to the beneficiaries' ability to pay	
SB 1767 by Buckingham	Relating to hearings and protests before appraisal review board involving ad valorem tax determinations	HB 3774 (Darby)
SB 1847 by Bettencourt	Relating to the correction of an ad valorem tax appraisal roll and related appraisal records	HB 2906 (Raymond)
SB 2242 by Hinojosa	Relating to the elimination of double taxation of property due to jurisdictional disputes between San Patricio and Nueces Counties by establishing a procedure for escrowing taxes and giving original jurisdiction to the Texas Supreme Court to establish the boundary	

Property Tax Bills: Passed House Ways & Means Committee

Bill	Subject	Companion Bill
HB 217 by Canales	Relating to the authority of certain persons to defer or abate the collection of ad valorem taxes on a residence homestead	
HB 455 by Metcalf	Relating to the authority of a property owner to participate by telephone at a protest hearing by an appraisal review board	
HB 457 by Holland	Relating to the confidentiality of certain home address information in ad valorem appraisal records for spouses and surviving spouses and children of peace officers	
HB 513 by Davis	Relating to the reappraisal for ad valorem tax purposes of property damaged in a disaster	SB 717 by Taylor, Van

Property Tax Bills: Passed House Ways & Means Committee

Bill	Subject	Companion Bill
HB 777 by Ashby	Relating to the eligibility of land owned by certain members of the armed services of the United States for appraisal for ad valorem tax purposes as qualified open-space land	SB 175 (Nichols)
HB 1186 by Anderson, R.	Relating to the procedure for claiming an exemption from ad valorem taxation by the Dallas County Utility and Reclamation District of certain property	SB 1343 (Huffines)
HB 1346 by Button	Relating to the date for prepayment of taxes on a dealer's heavy equipment inventory	SB 711 (Taylor, Van)
HB 1454 by Rinaldi	Relating to the information required to be provided in or with a school district ad valorem tax bill	
HB 1496 by Bonnen, G.	Relating to the date for holding an election to ratify the ad valorem tax rate of a school district	

Property Tax Bills: Passed House Ways & Means Committee

Bill	Subject	Companion Bill
HB 1632 by Bonnen, G.	Relating to deferred payment of ad valorem taxes for certain persons serving in the United States armed forces	SB 771 (Creighton)
HB 1719 by Thompson, Ed	Relating to continuing education requirements for county tax assessor collectors	
HB 2028 by Goldman	Relating to the procedure for canceling a deferral or abatement of collection of ad valorem taxes on the residence homestead of an elderly person	SB 448 (Burton)
HB 2253 by Darby	Relating to the calculation of interest on an ad valorem tax refund resulting from the final determination of an appeal that decreases a property owner's liability	SB 1749 (Hinojosa)
HB 2989 by Bonnen, D.	Relating to payment of an ad valorem tax refund in the event of a tax roll correction that decreases a property owner's tax liability	



Important Pending Bills

Bill	Subject	Committee
HB 15 by Bonnen, D.	<p>Relating to ad valorem taxation: the Property Tax Payer Empowerment Act of 2017</p> <ul style="list-style-type: none">• Creates a database of tax rate information• Removes estimated taxes from notices of appraised value• Changes the term “effective” tax rate to “no new taxes”• Requires certification of information in tax rate calculation worksheets• Provides for a separate notification by the chief appraiser to taxpayers concerning proposed taxes and hearing locations and times• Reduces the rollback tax rate from 8% to 4%• Requires automatic ratification elections to approve tax rates that exceed the rollback rate• Enhances the ability of taxpayers to seek injunctive relief for taxing unit failure to comply with truth-in-taxation requirements	Ways & Means



Important Pending Bills

Bill	Subject	Committee
HB 27 by Springer	<p>Relating to the consideration of the use of property or a comparable property when appraising property for ad valorem tax purposes</p> <p>Known as the “dark store” appraisal bill</p> <ul style="list-style-type: none">• 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 in determining highest and best use.• Value determinations must include consideration of whether the highest and best use of the property is the continuation of its current use.	Ways & Means

Property Tax Bills: Heard in House Ways & Means Committee on April 12

Bill	Subject
HB 643 by Phillips	Relating to the eligibility of land for appraisal for ad valorem tax purposes as qualified open-space land on the basis of wildlife management
HB 1211 by Phillips	Relating to the additional tax imposed on land appraised for ad valorem tax purposes as qualified open-space land if a change of use occurs
HB 1833 by Dutton	Relation to the exemption of real property during the period between judgment foreclosing a tax lien and the sale of the property at a tax sale
HB 2560 by King, Tracy	Relating to the appraisal for ad valorem tax purposes of certain dealer's heavy equipment inventory
HB 2906 by Raymond	Relating to the correction of an ad valorem tax appraisal roll and related appraisal records
HB 3466 by King, Tracy	Relating to the appraisal for ad valorem tax purposes of dealer's heavy equipment inventory and the prepayment of taxes on that inventory

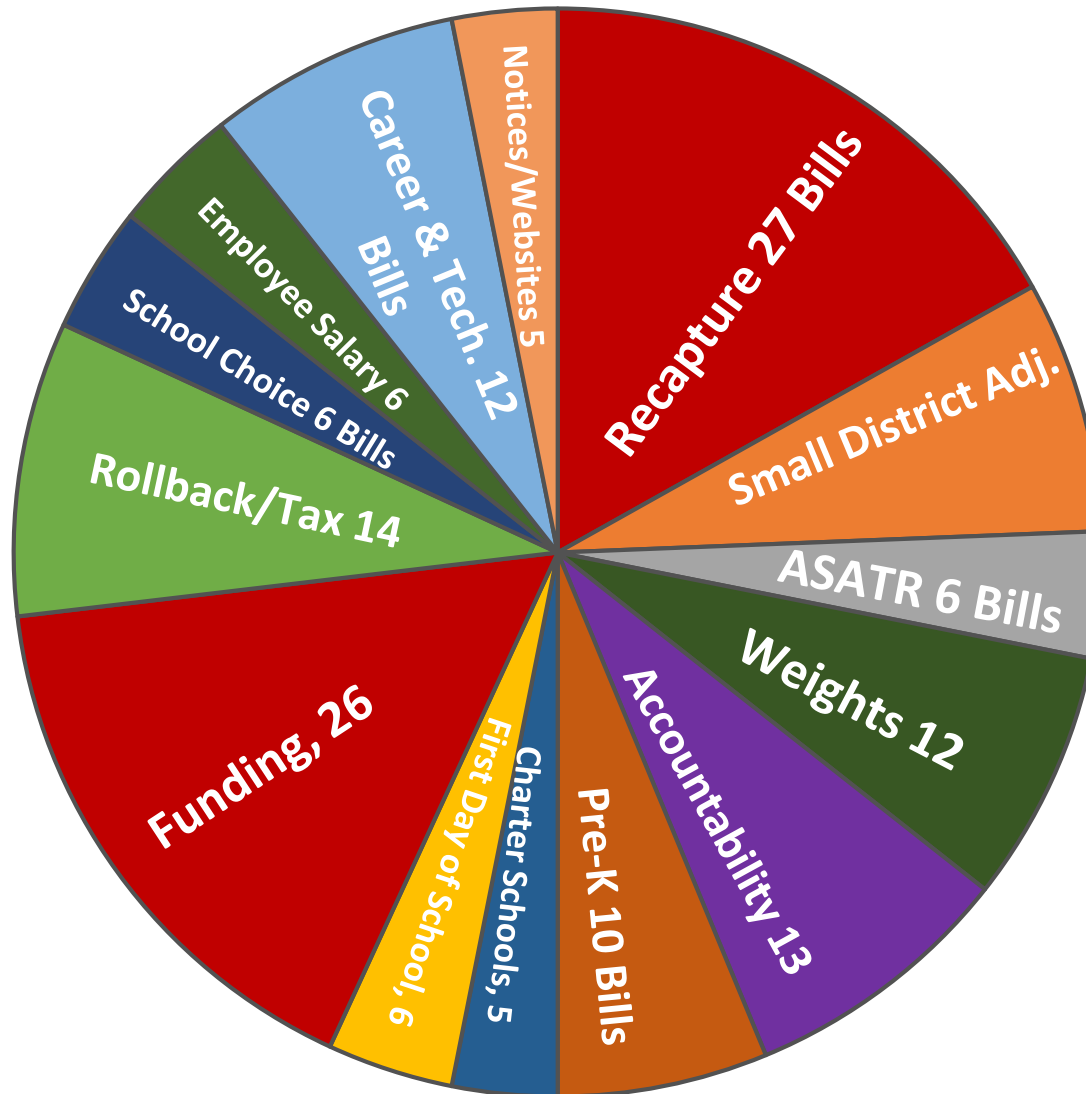


Property Tax Bills: Heard in House Ways & Means Committee on April 12

Bill	Subject
HB 3614 by Morrison	Relating to the definition of new property value for purposes of the calculation of certain ad valorem tax rates for a county
HB 3908 by Bonnen, D.	Relating to an exemption from ad valorem taxation of the total appraised value of the residence homestead of an eligible peace officer who resides in a qualified high crime area
HB 4293 by Craddick	Relating to the authority of the governing body of a taxing unit to waive penalties and interest on a delinquent ad valorem tax if the delinquency was not intentional or the result of conscious indifference
HJR 113 by Capriglione	Proposing a constitutional amendment relating to the authorization to exempt from ad valorem taxation precious metals
HJR 115 by Bonnen, D.	Proposing a constitutional amendment authorizing the legislature to exempt from ad valorem taxation all or part of the market value of the residence homestead of a peace officer who resides in a high crime area

School Finance

School Finance and Education Tracking 160 Bills



School Finance Bills – 85th Legislative Session

HB 21

By Dan Huberty

Comprehensive
School Finance
Bill

On House Floor
Wednesday,
April 19

Increases funding to school districts by \$1.9 billion for the biennium – contingent on delay of August 2019 school payment to Sept. 2019.

Repeals the following allotments and re-directs the revenue to the basic allotment and equalized wealth level:

1. Chapter 41 Hold Harmless – 27 school districts; 1993 hold harmless
2. High School Allotment (\$275 per ADA in grades 9-12)
3. Transportation Allotment
4. Additional State Aid for Employees that are not administrators and not on the salary schedule
5. Maintains the September 1, 2017 expiration date for Additional State Aid for Tax Reduction (ASATR).

Implements “Hardship Grants” for school districts that lose money. Grants will be prorated after applications are received with preference to districts with the highest M&O tax rates.

- ✓ \$125 million FY2018
- ✓ \$75 million FY2019

School Finance Bills – 85th Legislative Session

HB 21

By Dan Huberty

Comprehensive
School Finance
Bill

On House Floor
Wednesday,
April 19

Increases the basic allotment by \$210 to \$5,350 (from \$5,140).

Increases the equalized wealth level (recapture threshold) by \$21,000 to \$535,000 per WADA (from \$514,000).

- ✓ Reduces recapture by \$163 million in 2018
- ✓ Reduces recapture by \$192 million in 2019

Adds a weight of 0.1 for students with dyslexia or related disorders (approximately 154,000 students). Limits the number of students identified with dyslexia in each district to 5% of the district's ADA.

Increases Bilingual weight to 0.11 (from 0.10).

Extends Career and Technology weight to the eighth grade (from ninth grade).

School Finance Bills – 85th Legislative Session

SB 22

By Larry Taylor

P-Tech
Bill

Passed by the
Senate
on 3-28-17

PATHWAYS IN TECHNOLOGY EARLY HIGH SCHOOL (P-TECH) PROGRAM

Establishes the Pathways in Technology Early High School (P-Tech) Program to provide for a course of study that enables a participating student in grade levels 9 through 12 to combine high school courses and postsecondary courses so that the student can graduate with both a high school degree and an associates degree in six years.

Repeals the tech-prep program.

Would begin in the 2018-2019 school year.



School Choice Bill – 85th Legislative Session

EDUCATION SAVINGS ACCOUNT PROGRAM

Directs the Comptroller to establish and administer an education savings account program to provide funding for parents to send their children to private schools or home school.

Available only in school districts located in counties with a population of 285,000 or greater according to the 2010 Census. (17 counties)

Household Income	Scholarship Amount
Equal to or Less than \$78,672	\$6,799
Disability-Any Income Level	\$8,159

Funds can also be used for online classes and other expenses.

Would begin in the 2018-2019 school year.

SB 3

By Larry Taylor

School Choice
Bill

Passed by the
Senate
on 3-30-17

School Choice Bill – 85th Legislative Session

TAX CREDIT SCHOLARSHIP PROGRAM

Directs the Comptroller to establish a program that allows a taxable entity to make a contribution to an “educational assistance organization” to be used to pay educational expenses for eligible students to attend a public or private school, and claim a credit against the entity’s state premium tax liability.

Available only in school districts located in counties with a population of 285,000 or greater according to the 2010 Census. (17 counties)

Credit is limited to the lesser of the actual expense or 50% of the entity’s tax liability. \$25 million per year is appropriated.

Household Income	Scholarship Amount
\$78,672 or less	\$6,799
Special Ed, Foster or Institutional Care, Parent in Military; regardless of income	\$6,799

SB 3

By Larry Taylor

School Choice
Bill

Passed by the
Senate
on 3-30-17



House Budget Rider to SB 1 – No Vouchers

Adopted 103-44

*“Money appropriated by this Act **may not be used to pay for or support a school voucher, education savings account, or tax credit scholarship program** or a similar program through which a child may use state money for nonpublic primary or secondary education.”*

School Finance Bills – 85th Legislative Session

	ASATR
HB 308 by Burrows	Extends the expiration date of ASATR payments to school districts to Sept. 1, 2027 -- an additional 10 years .
HB 527 by Workman HB 856 by Schubert	Extends the expiration date of ASATR payments to school districts to Sept. 1, 2019 -- an additional 2 years .
HB 811 by Ken King	Extends the expiration date of ASATR payments to school districts to Sept. 1, 2021 -- an additional 4 years .
SB 419 by Kolkhorst	Extends the expiration date of ASATR payments to school districts to Sept. 1, 2023 -- an additional 6 years .
SB 649 by Seliger	Extends the expiration date of ASATR payments to school districts for 2 years only to school districts that converted copper pennies to tier one pennies.

School Finance Bills – 85th Legislative Session

<p>HB 486 by VanDeaver HB 390 by Howard SB 1267 by Larry Taylor</p>	<p>Authorizes a school district to lower its M&O rate and increase it back to the higher rate within a 10-year period without holding a tax ratification election.</p> <p><i>HB 486 had a point of order sustained on 04/12/17 and was recommitted to House Ways & Means Committee</i></p>
<p>SB 2144 by Larry Taylor</p>	<p>Creates a 15-member Texas Commission on Public School Finance to make recommendations for improvements to the current public school finance system. Chairs of Senate Education and Senate Finance, Chairs of House Public Education and House Appropriations, 4 Governor appointees, 3 Lt. Governor appointees, 3 speaker appointees, 1 member of SBOE. Governor will designate the presiding officer. Report is due not later than September 1, 2018.</p>

School Finance Bills – 85th Legislative Session

<p>HB 1059 by Murphy SB 1247 by Huffman</p> <p><i>HB 1059 heard in House Public Education 03/28/17</i></p>	<p>Provides that the detachment of property by the Commissioner is effective in the school year that begins in the calendar year following the Commissioner's order. Directs the Commissioner to re-attach property to a school district that was subject to forced detachment and annexation if the original district's wealth level falls to at least \$10,000 below the equalized wealth level.</p>
<p>HB 3795 by Dutton</p> <p><i>Heard in House Public Education 04/11/17</i></p>	<p>Includes students attending open-enrollment charter schools within a school district's boundaries in the calculation of the district's property wealth level for recapture purposes. Cost is \$654 million for the biennium.</p>

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 \$8 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.

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

- 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.

Sales Tax



Comptroller Bills

HB 2281 Darby and SB 559 by Hancock

- Clarifies that all companies that sell utility service are subject to gross receipts tax regardless of their physical location
- SB 559 passed Senate 3/22
- HB 2281 sent to Local and Consent 4/5

HB 1351 Wray and SB 1120 by Zaffirini

- Adds CNG/LNG to the list of motor fuels (gasoline, diesel fuel, liquefied gas) that may not be taxed locally
- SB 1120 passed Senate 4/6
- HB 1351 House floor consideration 4/20

Comptroller Bills

HB 4052 by Murphy and SB 745 Kolkhorst

- Changes exclusion for temporary employment services to an exemption so that taxpayer has burden of proof
- Clarifies qualifying conditions for exemption
 - Services normally provided by employees
 - Necessary equipment and supplies furnished
 - Directly supervised
 - Provider may not be a member of franchise tax affiliated group
- SB 745 passed Senate 4/3
- HB 4052 heard in Ways & Means 4/12

Comptroller Bills

HB 3366 Bohac – SB 1539 Watson

- Bill making several changes to the definition of what qualifies as a sale for resale
 - Removes inclusion of items that will be resold with another item – “~~with or~~ as a taxable item”
 - Replaces the provision relating to the transfer of title to property used to perform a federal government contract with one applicable to certain governmental and non-profit organizations
 - If property title does not transfer qualification limited to contracts with listed federal agencies
 - SB 1539 passed Senate 4/5
 - HB 3366 not heard in Ways Means

Comptroller Bills

HB 2562 by Shine and SB 1962 Creighton

- Clarifies that the exemption for property that will become part of a motion picture, video or audio recording must be for a master recording that will be sold, licensed, distributed, broadcast or otherwise exhibited for consideration
- Master recording defined as principal media from which copies are made for sale, license, distribution, broadcast, or exhibition for consideration
- Purpose is to exclude YouTube videos
- HB 2562 Sent to Local and Consent 4/12/17
- SB 1962 not heard in Finance

Comptroller Bills

HB 2756 by Cook

- Extends from 30 to 60 days the deadline for filing a petition for redetermination or a refund claim hearing
- Deadline for motion for redetermination rehearing same as in APA for contested case rehearing – 25 days after decision signed
- Comptroller redetermination or refund hearing decision final at the same time as contested case under APA – 25 days or when motion for rehearing is denied instead of current 20 days after service
- Heard in Ways & Means 4/12

Tax Administration

Tax Administration Bills

SB 1713 by Uresti

- Requires a “marketplace provider” to collect use tax if the seller does not
- Marketplace provider definition
 - Facilitates sale by listing item & price in any forum
 - Collects and forwards receipts to seller
 - Engaged in business in Texas
- Establishes “economic nexus” – seller presumed to be doing business in Texas if annual instate receipts are over \$500,000 or 1,000 sales
- TTARA testified opposed and recommended Colorado reporting approach
- Heard in Finance 4/10

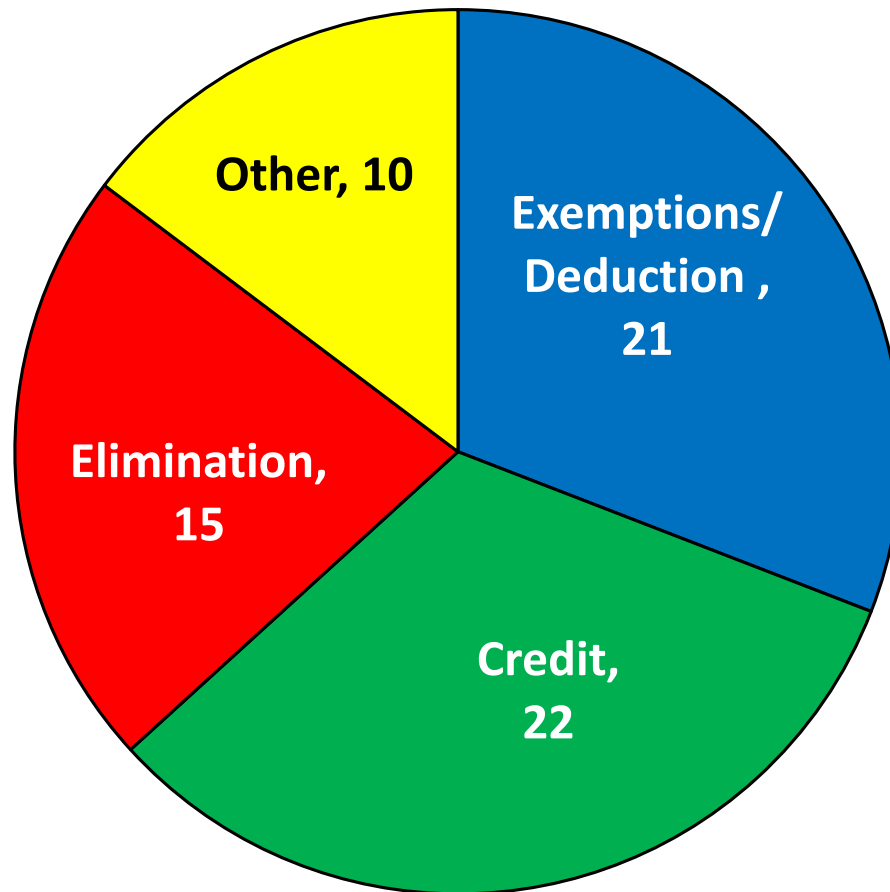
Tax Administration Bills

HB 1370 by Springer

- Comptroller when requested to provide a local taxing entity a report listing the amount of local sales tax remitted by individual outlet
- Comptroller report to local taxing entities less than 150,000 population amount paid by businesses that annually remit more than \$100 (down from \$500) in state and local taxes
- Removes limitation that Comptroller may only report aggregate totals for those doing business in special areas (e.g. reinvestment zones, enterprise zones, TIF, crime or fire control districts)
- Committee substitute removed section of filed bill requiring reporting of gross slakes, taxable sales and taxable purchases
- Sent to Local and Consent 3/29

Franchise Tax

Franchise Tax 45 Bills Introduced



Battle of the Franchise Tax: To the Death!!!

	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
Status	Passed Senate on March 21; not referred in House	Passed out of W&M April 12; awaiting calendar

Comptroller “Technical” Franchise Tax Bills

- **HB 3345 by Springer: Relating to the definition of “passive entity” for the franchise tax:** “clarifies” that interest income does not qualify as passive income if the entity is in the business of making loans to the general public (Heard in W&M 4/12).
- **HB 4002 by D. Bonnen: Relating to the definition of “production” in the cost of goods sold deduction for the franchise tax:** removes “installation” from the list of activities that qualifies as “production” (stated to codify *Autohaus* appellate court decision) (Heard in W&M 4/12).

Comptroller “Technical” Franchise Tax Bills, *continued*

- **HB 2126 by Button (SB 1726 by Birdwell): Relating to the franchise tax rate applicable to certain taxable entities that sell telephone pre-paid calling cards:** provides that the sales of pre-paid calling cards does not disqualify an entity from qualifying for the reduced, wholesale/retail franchise tax rate (on 4/20 House Calendar)

Budget Review

Comparing House/Senate *General Revenue Budgets*

Budget Area	Senate vs House (\$ ml)	Comments
Public Education	+ \$217.8	House defers \$1.9 billion payment into next budget period while increasing state formula aid by \$1.5 billion
Higher Education	\$34.2	Senate eliminates all special item funding, while increasing the amount of formula aid; House substitutes ESF to pay tuition revenue bonds
Health & Human Svcs	+ \$627.0	Absent changes in federal law, Senate Bill is roughly \$2 billion short of meeting federally-required services
Public Safety	+ \$828.8	Senate provides \$0.7 billion for border security; House uses money from ESF instead
Other	+ \$320.6	Senate provides \$ 100 million for disaster grants, \$65 million more for Gov's eco devo, and \$25 million more for Gov's pre-kindergarten
Total	+ \$2,028.5	

Balancing the Senate/House Budgets

Fiscal Item (Cost/Revenue)	Senate	House
2017 Supplemental Bill	\$1.1	\$1.1
2018-19 Budget	<u>\$106.3</u>	<u>\$104.3</u>
Total General Revenue Spending	\$107.4	\$105.4
Comptroller's BRE	<u>\$104.9</u>	<u>\$104.9</u>
Difference	(\$2.5)	(\$0.5)
Timing Shift: Sales Tax Highway Transfer	\$2.5	n.a.
Accelerated Sale of Unclaimed Securities	<u>n.a.</u>	<u>\$0.5</u>
Balance	\$0.0	\$0.0

House Uses of ESF

Border Security	\$653 million
Tuition Revenue Bonds (Higher Ed)	\$204
Retired Teacher Health Insurance	\$500
Capital Improvements	\$678
Technology Upgrades	\$85
Other	<u>\$388</u>
Total	\$2,508 million

Budget Battlegrounds

- Higher Education Funding: how to distribute the money (special items or not)
- Public Education: Reform school finance now (House), or wait until 2019 (Senate)
- Use of the Economic Stabilization Fund
- Use of deferrals, delays, and speed-ups

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>

