

By: Campbell, et al.

S.B. No. 524

A BILL TO BE ENTITLED

AN ACT

relating to the exemption from the franchise tax and certain filing fees for certain businesses owned by veterans.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF TEXAS:

SECTION 1. Effective January 1, 2031, Section 171.0001(4), Tax Code, is amended to read as follows:

(4) "Beginning date" means:

(A) ~~[except as provided by Paragraph (B):~~

~~[(i)]~~ for a taxable entity chartered or organized in this state, the date on which the taxable entity's charter or organization takes effect; and

(B) ~~[(i)]~~ for any other taxable entity, the date on which the taxable entity begins doing business in this state~~[, or~~

~~[(B) for a taxable entity that qualifies as a new veteran-owned business as defined by Section 171.0005, the earlier of:~~

~~[(i) the fifth anniversary of the date on which the taxable entity begins doing business in this state, or~~

~~[(ii) the date the taxable entity ceases to qualify as a new veteran-owned business as defined by Section 171.0005].~~

SECTION 2. Effective January 1, 2031, Section 171.063(g), Tax Code, is amended to read as follows:

(g) If a corporation's federal tax exemption is withdrawn by

the Internal Revenue Service for failure of the corporation to qualify or maintain its qualification for the exemption, the corporation's exemption under this section ends on the effective date of that withdrawal by the Internal Revenue Service. The effective date of the withdrawal is considered the corporation's beginning date for purposes of determining the corporation's privilege periods and for all other purposes of this chapter[~~7 except that if the corporation would have been subject to Section 171.001(d) in the absence of the federal tax exemption, and the effective date of the withdrawal is a date earlier than the date the corporation would have become subject to the franchise tax as provided by Section 171.001(d), the date the corporation would have become subject to the franchise tax under that section is considered the corporation's beginning date for those purposes]~~.

SECTION 3. Effective January 1, 2031, the following sections are repealed:

- (1) Section 12.005, Business Organizations Code;
- (2) Section 171.0005, Tax Code; and
- (3) Section 171.001(d), Tax Code.

SECTION 4. The following provisions are repealed:

- (1) Section 3, Chapter 859 (S.B. 938), Acts of the 87th Legislature, Regular Session, 2021, as effective January 1, 2026, which amended Section 171.0001(4), Tax Code;
- (2) Section 7, Chapter 859 (S.B. 938), Acts of the 87th Legislature, Regular Session, 2021, as effective January 1, 2026, which amended Section 171.063(g), Tax Code; and
- (3) Section 9, Chapter 859 (S.B. 938), Acts of the 87th

1 Legislature, Regular Session, 2021, as effective January 1, 2026,
2 which provided for the repeal of Section 12.005, Business
3 Organizations Code, and Sections 171.0005, 171.001(d), and
4 171.204(d), Tax Code.

5 SECTION 5. Except as otherwise provided by this Act, this
6 Act takes effect September 1, 2025.