

By: Otto

H.C.R. No. 51

CONCURRENT RESOLUTION

1           WHEREAS, House Bill 3, as enrolled by the 79th Legislature of  
2 the State of Texas, 3rd Called Session, incorporates limited  
3 liability partnerships and limited partnerships into the franchise  
4 tax; and

5           WHEREAS, House Bill 3 references incorrect lines of the  
6 Internal Revenue Service forms used for determining the "total  
7 revenue" of a partnership subject to the franchise tax; and

8           WHEREAS, The incorrect references employ net rental income,  
9 rather than gross rental income, in determining the "total revenue"  
10 of a partnership subject to the franchise tax, while gross rental  
11 income is employed in determining the "total revenue" of a  
12 corporation subject to the franchise tax; and

13           WHEREAS, These incorrect line references would grant an  
14 unfair advantage to a partnership over a similarly situated  
15 corporation in the calculation of the franchise tax, an advantage  
16 that could be tenfold; and

17           WHEREAS, Proposed technical corrections to House Bill 3 to  
18 resolve this discrepancy would ensure equity in the determination  
19 of "total revenue" between corporations and partnerships subject to  
20 the franchise tax, level the playing field between partnerships and  
21 corporations, and circumvent the creation of a new loophole in the  
22 reformed franchise tax; and

23           WHEREAS, These corrections would ensure that the value of  
24 guaranteed payments is not counted twice in the determination of

1 "total revenue"; and

2 WHEREAS, These corrections would also conform House Bill 3 to  
3 the Texas Tax Reform Commission's objective regarding the treatment  
4 of rental income and guaranteed payments for partnerships and  
5 corporations in determining "total revenue"; now, therefore, be it

6 RESOLVED, That the 79th Legislature of the State of Texas,  
7 3rd Called Session, hereby express its intent for the 80th  
8 Legislature of the State of Texas to enact the following  
9 corrections to House Bill 3, as enrolled by the 79th Legislature of  
10 the State of Texas, 3rd Called Session:

11 (1) On page 23, line 3, strike "2" and substitute "3a and 5".

12 (2) On page 23, between lines 4 and 5, insert a new  
13 Subparagraph (iv) as follows: "(iv) the amounts entered on line  
14 17, Internal Revenue Service Form 8825; and".