

Amend CSHB 3928 (Senate committee printing) as follows:

(1) Strike SECTION 1 of the bill (page 1, lines 12-14).

(2) Strike SECTION 6 of the bill (page 4, lines 36-54) and substitute the following:

SECTION 6. Section 171.001, Tax Code, as effective January 1, 2008, is amended by adding Subsection (c) to read as follows:

(c) The tax imposed under this section or Section 171.0011 is not imposed on an entity if, during the period on which the report is based, the entity qualifies as a passive entity as defined by Section 171.0003.

(3) In SECTION 8 of the bill, strike Sections 171.002(a) and (b), Tax Code (page 4, line 69, through page 5, line 5), and substitute the following:

(a) Subject to Sections [~~Section~~] 171.003 and 171.1016 and except as provided by Subsection (b), the rate of the franchise tax is one percent [~~per year of privilege period~~] of taxable margin.

(b) Subject to Sections 171.003 and 171.1016, the [~~The~~] rate of the franchise tax is 0.5 percent [~~per year of privilege period~~] of taxable margin for those taxable entities primarily engaged in retail or wholesale trade.

(4) Insert an appropriately numbered SECTION to read as follows:

SECTION \_\_. Subchapter A, Chapter 171, Tax Code, is amended by adding Section 171.1016 to read as follows:

Sec. 171.1016. E-Z COMPUTATION AND RATE. (a)  
Notwithstanding any other provision of this chapter, a taxable entity whose total revenue from its entire business is not more than \$10 million may elect to pay the tax imposed under this chapter in the amount computed and at the rate provided by this section rather than in the amount computed and at the tax rate provided by Section 171.002.

(b) The amount of the tax for which a taxable entity that elects to pay the tax as provided by this section is liable is computed by:

(1) determining the taxable entity's total revenue from its entire business, as determined under Section 171.1011;

(2) apportioning the amount computed under

Subdivision (1) to this state, as provided by Section 171.106, to determine the taxable entity's apportioned total revenue; and

(3) multiplying the amount computed under Subdivision (2) by the rate of 0.575 percent.

(c) A taxable entity that elects to pay the tax as provided by this section may not take a credit, deduction, or other adjustment that is not specifically authorized by this section.

(d) Section 171.0021 applies to a taxable entity that elects to pay the tax as provided by this section.

(e) A reference in this chapter or other law to the rate of the franchise tax means, as appropriate, the rate under Section 171.002 or, for a taxable entity that elects to pay the tax as provided by this section, the rate under this section.

(5) Strike SECTION 20 of the bill (page 12, lines 25-36) and substitute the following:

SECTION 20. Section 171.103, Tax Code, as effective January 1, 2008, is amended by adding Subsections (c) and (d) to read as follows:

(c) A taxable entity that is a combined group shall include in a report filed under Section 171.201 or 171.202, for each member of the combined group that does not have nexus with this state for the purpose of taxation:

(1) the gross receipts computed under Subsection (a);  
and

(2) the gross receipts computed under Subsection (a) that are subject to taxation in another state under a throwback law or regulation.

(d) The information required by Subsection (c) may be used for informational purposes only. A taxable entity with gross receipts from its entire business in the preceding taxable year of \$10 million or more forfeits the right to transact business in this state if the taxable entity fails to report or materially underreports the information required by Subsection (c).

(6) Strike SECTION 38 of the bill (page 19, line 43, through page 20, line 9).

(7) Insert an appropriately numbered SECTION to read as follows:

SECTION \_\_. The taxation method provided by Section 171.002, Tax Code, as amended by this Act, and the taxation method provided by Section 171.1016, Tax Code, as added by this Act, are not severable, and neither provision would have been enacted without the other. If the taxation method provided by Section 171.002, Tax Code, as amended by this Act, is held invalid, the taxation method provided by Section 171.1016, Tax Code, as added by this Act, is also invalid.

(8) Renumber the SECTIONS of the bill appropriately.