

## BILL ANALYSIS

Senate Research Center  
80R5156 DAK-F

H.B. 1207  
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Finance  
5/9/2007  
Engrossed

### AUTHOR'S / SPONSOR'S STATEMENT OF INTENT

Currently, Section 22 of H.B. 3, 79th Legislature, 3rd Called Session, 2006, contains contradictory language which could allow a newly taxed entity to avoid the tax in 2008. There is also confusion regarding entities that are part of a combined reporting group and whether they would have to use the same period as the combined group for determination of taxable margin and apportionment.

H.B. 1207 specifies the entities that would have to file a final franchise tax report and the period over which taxable margin would be calculated for the report. The bill amends the transition reporting requirements for a newly taxable entity to provide that all entities now subject to the provisions of Chapter 171 (Franchise Tax), Tax Code, would have to report in fiscal 2008.

### RULEMAKING AUTHORITY

This bill does not expressly grant any additional rulemaking authority to a state officer, institution, or agency.

### SECTION BY SECTION ANALYSIS

SECTION 1. Amends Section 22, Chapter 1, Acts of the 79th Legislature, 3rd Called Session, 2006, by amending Subsection (b) and adding Subsections (b-1), (b-2), and (g), as follows:

(b) Deletes existing text requiring an entity subject to the franchise tax as it existed before the effective date of this Act at any time after December 31, 2006, and before January 1, 2008, but not subject to the franchise tax on January 1, 2008, to file a final report for the privilege of doing business at any time after June 30, 2007, and before January 1, 2008, beginning on the later of January 1, 2007, or the date the entity was organized in this state or, if a foreign entity, the date it began doing business in this state and ending on the date the entity became no longer subject to the franchise tax.

(b-1) Provides that this subsection applies to an entity that is not doing business in this state on January 1, 2008, would be subject to the franchise tax as amended by this Act if it were doing business in this state on or after January 1, 2008, but not have been subject to the franchise tax as it existed before being amended by this Act, and was doing business in this state at any time after June 30, 2007, and before January 1, 2008.

(b-2) Requires an entity to which Subsection (b-1) applies, for the privilege of doing business in this state at any time after June 30, 2007, and before January 1, 2008, to file a final report and pay an additional tax equal to the appropriate rate under Section 171.002, Tax Code, as amended by this Act, of the entity's taxable margin based on the period beginning on the later of January 1, 2007, or the date the entity was organized in this state or, if a foreign entity, the date it began doing business in this state and ending on the date the entity became no longer subject to the tax.

(g) Requires an entity becoming subject to the franchise tax under this Act that is part of a combined group report, except as provided by Subsection (b)(1), to include its activity for the same period used by the combined group for purposes of determining margin and apportionment.

SECTION 2. Effective date: upon passage or September 1, 2007.