

## **BILL ANALYSIS**

C.S.S.B. 377  
By: Janek  
Ways & Means  
Committee Report (Substituted)

### **BACKGROUND AND PURPOSE**

C.S.S.B. 377 amends Sections 111.0625 and 111.0626, Texas Tax Code, to provide increased flexibility in handling electronic funds transfer of payments to the comptroller and electronic filing of returns with the comptroller. The new franchise “margins” tax will significantly increase the number of taxpayers filing franchise reports from the current 600,000 plus to over 800,000 plus taxpayers.

The purpose of this bill is to allow the comptroller to accommodate the greatly increased number of taxpayers subject to the new franchise “margins” tax and reduce the volume of paper returns and checks. It gives the comptroller flexibility to adjust electronic reporting and payment requirements to achieve maximum efficiencies and cost-savings and still provides for exceptions for hardship situations.

### **RULEMAKING AUTHORITY**

It is the committee’s opinion that rulemaking authority is expressly granted to the comptroller in SECTION 1 (Section 111.0625, Tax Code) and SECTION 2 (Section 111.0626, Tax Code).

### **ANALYSIS**

SECTION 1. Amends Section 111.0625, Tax Code, as follows:

(a) Creates this subsection from existing text. Creates an exception as provided by Subsection (b) and (c) to the requirement that a taxpayer who paid \$100,000 or more during a certain time period is required to remit such tax payment by a certain method.

(b) Requires the comptroller of public accounts (comptroller) by rule to require a taxpayer who paid \$10,000 or more during the preceding fiscal year in a category of payments described by this subsection to transfer payments by means of electronic funds transfer in accordance with Section 404.095 (Electronic Transfer of Certain Payments), Government Code, if the comptroller anticipates the person will pay at least that amount during the current fiscal year. Provides that this subsection applies only to certain taxes set forth in this subsection.

(c) Authorizes the comptroller by rule to apply the requirements of Subsection (b) to a category of payments not listed in Subsection (b), or remove the requirements of Subsection (b) from a category of payments listed in Subsection (b) if the comptroller determines the action is necessary to protect the state's interests or the interests of taxpayers.

(d) Requires a rule adopted under Subsection (b) or (c) to provide a waiver from the requirements of that section for a non-complying taxpayer for reasons of hardship, impracticality, or other reason.

(e) Authorizes the comptroller by rule to specify the types of electronic funds transfers a person must use in compliance with this section. Authorizes the rule to require a taxpayer to use different types of transfers for different payment amounts.

SECTION 2. Amends Section 111.0626, Tax Code, by adding Subsection (b-1) to authorize the comptroller to adopt rules requiring electronic filing of a report by a taxpayer who paid \$50,000

or more during the preceding fiscal year to file reports electronically. Taxpayer may use software provided by the comptroller or commercially available.

SECTION 3. Section 2 takes effect September 1, 2008. Except as otherwise provided, this Act takes effect immediately if it receives a vote of two-thirds of all the members elected to each house, as provided by Section 39, Article III, Texas Constitution. If this Act does not receive the vote necessary for immediate effect, this Act takes effect September 1, 2007.

#### **EFFECTIVE DATE**

Except as otherwise provided, this Act takes effect immediately if it receives a vote of two-thirds of all the members elected to each house, as provided by Section 39, Article III, Texas Constitution. If this Act does not receive the vote necessary for immediate effect, this Act takes effect September 1, 2007. Section 2 takes effect September 1, 2008.

#### **COMPARISON OF ORIGINAL TO SUBSTITUTE**

The original bill authorized the comptroller to adopt rules requiring electronic filing of a report by a taxpayer for any tax without regard to the amount of the tax due.

The committee substitute authorizes the comptroller to adopt rules requiring electronic filing of a report by a taxpayer who pays \$50,000 or more during the previous fiscal year to file their reports electronically. Taxpayers may use software provided by the comptroller or commercially available.

In addition, the section on filing reports electronically in the committee substitute takes effect September 1, 2008.