

By: Keffer

H.B. No. 1207

A BILL TO BE ENTITLED

AN ACT

relating to corrections to the revised franchise tax transition provisions of House Bill No. 3, 79th Legislature, 3rd Called Session, 2006.

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

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

(b) For an entity becoming subject to the franchise tax under this Act:

(1) margin or gross receipts occurring before June 1, 2006, may not be considered for purposes of determining taxable margin or for apportionment purposes; and

(2) an entity subject to the franchise tax on January 1, 2008, that was not previously subject to the tax and for which January 1, 2008, is not the beginning date, shall file an annual report due May 15, 2008, based on the period:

(A) if the entity has an accounting period that ends on or after January 1, 2007, and before June 1, 2007:

(i) beginning on the later of:

(a) June 1, 2006; or

(b) the date the entity was organized in this state or, if a foreign entity, the date it began doing

1 business in this state; and

2 (ii) ending on the date that accounting
3 period ends in 2007;

4 (B) if the entity has an accounting period that
5 ends on or after June 1, 2007, and before December 31, 2007:

6 (i) beginning on the date that accounting
7 period begins; and

8 (ii) ending on the date that accounting
9 period ends in 2007; and

10 (C) if the entity has an accounting period that
11 ends on December 31, 2007, or if the entity does not have an
12 accounting period that ends in 2007:

13 (i) beginning on the later of:

14 (a) January 1, 2007; or

15 (b) the date the entity was organized
16 in the state or, if a foreign entity, the date it began doing
17 business in this state; and

18 (ii) ending on December 31, 2007~~, and~~

19 ~~[(3) an entity subject to the franchise tax as it~~
20 ~~existed before the effective date of this Act at any time after~~
21 ~~December 31, 2006, and before January 1, 2008, but not subject to~~
22 ~~the franchise tax on January 1, 2008, shall file a final report for~~
23 ~~the privilege of doing business at any time after June 30, 2007, and~~
24 ~~before January 1, 2008, based on the period:~~

25 ~~[(A) beginning on the later of:~~

26 ~~[(i) January 1, 2007; or~~

27 ~~[(ii) the date the entity was organized in~~

1 ~~this state or, if a foreign entity, the date it began doing business~~
2 ~~in this state; and~~

3 ~~[(B) ending on the date the entity became no~~
4 ~~longer subject to the franchise tax].~~

5 (b-1) This subsection applies to an entity that:

6 (1) is not doing business in this state on January 1,
7 2008;

8 (2) would be subject to the franchise tax as amended by
9 this Act if it were doing business in this state on or after January
10 1, 2008, but would not have been subject to the franchise tax as it
11 existed before being amended by this Act; and

12 (3) was doing business in this state at any time after
13 June 30, 2007, and before January 1, 2008.

14 (b-2) An entity to which Subsection (b-1) applies shall, for
15 the privilege of doing business in this state at any time after June
16 30, 2007, and before January 1, 2008, file a final report and pay an
17 additional tax equal to the appropriate rate under Section 171.002,
18 Tax Code, as amended by this Act, of the entity's taxable margin
19 based on the period:

20 (1) beginning on the later of:

21 (A) January 1, 2007; or

22 (B) the date the entity was organized in this
23 state or, if a foreign entity, the date it began doing business in
24 this state; and

25 (2) ending on the date the entity became no longer
26 subject to the tax.

27 (g) Except as provided by Subsection (b)(1) of this section,

1 an entity becoming subject to the franchise tax under this Act that
2 is part of a combined group report shall, for purposes of
3 determining margin and apportionment, include its activity for the
4 same period used by the combined group.

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