

BILL ANALYSIS

H.B. 4765
By: Oliveira
Ways & Means
Committee Report (Unamended)

BACKGROUND AND PURPOSE

During the 79th Legislature, 3rd Called Session, the Legislature revised the state's franchise tax to base the tax on gross margins. Businesses with total revenue of less than \$300,000 were exempted from the tax. In the 80th Legislature, Regular Session, a sliding scale of franchise tax discounts were implemented for businesses with revenue between \$300,000 and \$900,000.

H.B. 4765 temporarily raises the total revenue exemption from \$300,000 to \$1,000,000 for tax reports due in 2010 and 2011 (tax years 2009 and 2010 respectively). After that period, the total revenue exemption returns to \$300,000.

RULEMAKING AUTHORITY

It is the committee's opinion that this resolution does not expressly grant any additional rulemaking authority to a state officer, department, agency, or institution.

ANALYSIS

SECTION 1.

Amends Section 171.002(d)(2), Tax Code, so that a taxable entity is not required to pay any tax and is not considered to own any tax if the amount of the taxable entity's total revenue is less than or equal to \$1,000,000 rather than \$300,000.

SECTION 2.

Provides that effective January 1, 2012, Section 171.002(d), Tax Code, is amended to read that a taxable entity is not required to pay any tax and is not considered to owe any tax for a period if: (1) the amount of the tax computed for the taxable entity is less than \$1,000; or (2) the amount of the taxable entity's total revenue from its entire business is less than or equal to \$300,000 or the amount determined under Section 171.006 per 12-month period on which margin is based.

SECTION 3.

Provides that Section 171.002(d), Tax Code, as amended by Section 1 of the Act applies only to a report originally due on or after the effective date of this Act. Also, provides that Section 171.002(d), Tax Code as amended by Section 2 of the Act applies only to a report originally due on or after January 1, 2012.

EFFECTIVE DATE

January 1, 2010.