

By: Kolkhorst

H.B. No. 2505

A BILL TO BE ENTITLED

AN ACT

relating to the rates and imposition of the state sales and franchise taxes and to the allocation of certain revenue.

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

SECTION 1. Section 151.051(b), Tax Code, is amended to read as follows:

(b) The sales tax rate is 6.75 [~~6-1/4~~] percent of the sales price of the taxable item sold.

SECTION 2. Sections 151.801(a) and (c), Tax Code, are amended to read as follows:

(a) Except for the amounts allocated under Subsections (b) and (c) and Section 151.802, all proceeds from the collection of the taxes imposed by this chapter shall be deposited to the credit of the general revenue fund.

(c) Except for the amount allocated under Section 151.802 and subject [~~Subject~~] to Subsection (c-1), the proceeds from the collection of the taxes imposed by this chapter on the sale, storage, or use of sporting goods shall be deposited as follows:

(1) an amount equal to 94 percent of the proceeds shall be credited to the Parks and Wildlife Department and deposited as specified in the Parks and Wildlife Code; and

(2) an amount equal to six percent of the proceeds shall be credited to the Texas Historical Commission and deposited as specified in Section 442.073, Government Code.

1 SECTION 3. Subchapter M, Chapter 151, Tax Code, is amended
2 by adding Section 151.802 to read as follows:

3 Sec. 151.802. ALLOCATION OF CERTAIN REVENUE TO PROPERTY TAX
4 RELIEF FUND. All proceeds, other than the amount of the proceeds
5 allocated under Section 151.801(b), from the collection of taxes
6 imposed by this chapter attributable to the portion of the tax rate
7 in excess of 6.25 percent shall be deposited to the credit of the
8 property tax relief fund under Section 403.109, Government Code.

9 SECTION 4. Sections 171.002(a), (b), and (d), Tax Code, are
10 amended to read as follows:

11 (a) Subject to Section [~~Sections~~] 171.003 [~~and 171.1016~~]
12 and except as provided by Subsection (b), the rate of the franchise
13 tax is 0.75 [~~one~~] percent of taxable margin.

14 (b) Subject to Section [~~Sections~~] 171.003 [~~and 171.1016~~],
15 the rate of the franchise tax is 0.375 [~~0.5~~] percent of taxable
16 margin for those taxable entities primarily engaged in retail or
17 wholesale trade.

18 (d) A taxable entity is not required to pay any tax and is
19 not considered to owe any tax for a period if:

20 (1) the amount of tax computed for the taxable entity
21 is less than \$1,000; or

22 (2) the amount of the taxable entity's total revenue
23 from its entire business is less than or equal to \$1 million
24 [~~\$300,000~~] or the amount determined under Section 171.006 per
25 12-month period on which margin is based.

26 SECTION 5. Section 171.006(b), Tax Code, is amended to read
27 as follows:

1 (b) On [~~Beginning in 2010, on~~] January 1 of each
2 even-numbered year, the amounts prescribed by Sections
3 171.002(d)(2) [~~171.0021,~~] and 171.1013(c) are increased or
4 decreased by an amount equal to the amount prescribed by those
5 sections on December 31 of the preceding year multiplied by the
6 percentage increase or decrease during the preceding state fiscal
7 biennium in the consumer price index and rounded to the nearest
8 \$10,000.

9 SECTION 6. Section 171.101(a), Tax Code, is amended to read
10 as follows:

11 (a) The taxable margin of a taxable entity is computed by:

12 (1) determining the taxable entity's margin, which is
13 the lesser of:

14 (A) the following percentage [~~70 percent~~] of the
15 taxable entity's total revenue from its entire business, as
16 determined under Section 171.1011:

17 (i) 25 percent, if the amount of the taxable
18 entity's total revenue from its entire business is less than or
19 equal to \$10 million;

20 (ii) 50 percent, if the amount of the
21 taxable entity's total revenue from its entire business is more
22 than \$10 million but less than or equal to \$50 million; and

23 (iii) 70 percent, if the amount of the
24 taxable entity's total revenue from its entire business is more
25 than \$50 million; or

26 (B) an amount computed by:

27 (i) determining the taxable entity's total

1 revenue from its entire business, under Section 171.1011;

2 (ii) subtracting, at the election of the
3 taxable entity, either:

4 (a) cost of goods sold, as determined
5 under Section 171.1012; or

6 (b) compensation, as determined under
7 Section 171.1013; and

8 (iii) subtracting, in addition to any
9 subtractions made under Subparagraph (ii)(a) or (b), compensation,
10 as determined under Section 171.1013, paid to an individual during
11 the period the individual is serving on active duty as a member of
12 the armed forces of the United States if the individual is a
13 resident of this state at the time the individual is ordered to
14 active duty and the cost of training a replacement for the
15 individual;

16 (2) apportioning the taxable entity's margin to this
17 state as provided by Section 171.106 to determine the taxable
18 entity's apportioned margin; and

19 (3) subtracting from the amount computed under
20 Subdivision (2) any other allowable deductions to determine the
21 taxable entity's taxable margin.

22 SECTION 7. Effective January 1, 2011, Section 171.101(a),
23 Tax Code, is amended to read as follows:

24 (a) The taxable margin of a taxable entity is computed by:

25 (1) determining the taxable entity's margin, which is
26 the lesser of:

27 (A) the following percentage [~~70 percent~~] of the

1 taxable entity's total revenue from its entire business, as
2 determined under Section 171.1011:

3 (i) 25 percent, if the amount of the taxable
4 entity's total revenue from its entire business is less than or
5 equal to \$10 million; and

6 (ii) 50 percent, if the amount of the
7 taxable entity's total revenue from its entire business is more
8 than \$10 million; or

9 (B) an amount computed by:

10 (i) determining the taxable entity's total
11 revenue from its entire business, under Section 171.1011;

12 (ii) subtracting, at the election of the
13 taxable entity, either:

14 (a) cost of goods sold, as determined
15 under Section 171.1012; or

16 (b) compensation, as determined under
17 Section 171.1013; and

18 (iii) subtracting, in addition to any
19 subtractions made under Subparagraph (ii)(a) or (b), compensation,
20 as determined under Section 171.1013, paid to an individual during
21 the period the individual is serving on active duty as a member of
22 the armed forces of the United States if the individual is a
23 resident of this state at the time the individual is ordered to
24 active duty and the cost of training a replacement for the
25 individual;

26 (2) apportioning the taxable entity's margin to this
27 state as provided by Section 171.106 to determine the taxable

1 entity's apportioned margin; and

2 (3) subtracting from the amount computed under
3 Subdivision (2) any other allowable deductions to determine the
4 taxable entity's taxable margin.

5 SECTION 8. Sections 171.0021 and 171.1016, Tax Code, are
6 repealed.

7 SECTION 9. The change in law made by this Act does not
8 affect tax liability accruing before the effective date of this
9 Act. That liability continues in effect as if this Act had not been
10 enacted, and the former law is continued in effect for the
11 collection of taxes due and for civil and criminal enforcement of
12 the liability for those taxes.

13 SECTION 10. This Act applies only to a report originally due
14 on or after January 1, 2010.

15 SECTION 11. (a) Sections 151.051(b) and 151.801(a) and
16 (c), Tax Code, as amended by this Act, and Section 151.802, Tax
17 Code, as added by this Act, take effect October 1, 2009.

18 (b) Except as provided by Section 7 of this Act and
19 Subsection (a) of this section, this Act takes effect January 1,
20 2010.