

By: Jackson, Mike

S.B. No. 1161

A BILL TO BE ENTITLED

1 AN ACT

2 relating to the computation of the franchise tax.

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

4 SECTION 1. Sections 171.002(a), (b), and (d), Tax Code, are  
5 amended to read as follows:

6 (a) Subject to Sections 171.003 and 171.1016 and except as  
7 provided by Subsection (b), the rate of the franchise tax is:

8 (1) for taxable margin of \$1 million or less, zero;

9 (2) for taxable margin that exceeds \$1 million but  
10 does not exceed \$10 million, 0.5 percent of the taxable margin that  
11 exceeds \$1 million; and

12 (3) for taxable margin that exceeds \$10 million,  
13 \$45,000 plus one percent of the taxable margin that exceeds \$10  
14 million.

15 (b) Subject to Sections 171.003 and 171.1016, for those  
16 taxable entities primarily engaged in retail or wholesale trade,  
17 the rate of the franchise tax is:

18 (1) for taxable margin of \$1 million or less, zero;

19 (2) for taxable margin that exceeds \$1 million but  
20 does not exceed \$10 million, 0.25 percent of the taxable margin that  
21 exceeds \$1 million; and

22 (3) for taxable margin that exceeds \$10 million,  
23 \$22,500 plus 0.5 percent of the taxable margin that exceeds \$10  
24 million [~~for those taxable entities primarily engaged in retail or~~

1 ~~wholesale trade~~].

2 (d) A taxable entity is not required to pay any tax and is  
3 not considered to owe any tax for a period if [+

4 [~~(1)~~] the amount of tax computed for the taxable entity  
5 is less than \$1,000[~~, or~~

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

10 SECTION 2. The heading to Section 171.006, Tax Code, is  
11 amended to read as follows:

12 Sec. 171.006. ADJUSTMENT OF ELIGIBILITY FOR [~~NO TAX DUE,~~  
13 ~~DISCOUNTS, AND~~] COMPENSATION DEDUCTION.

14 SECTION 3. Section 171.006(b), Tax Code, is amended to read  
15 as follows:

16 (b) On [~~Beginning in 2010, on~~] January 1 of each  
17 even-numbered year, the amount [~~amounts~~] prescribed by Section  
18 [~~Sections 171.002(d)(2), 171.0021, and~~] 171.1013(c) is [~~are~~]  
19 increased or decreased by an amount equal to the amount prescribed  
20 by that section [~~those sections~~] on December 31 of the preceding  
21 year multiplied by the percentage increase or decrease during the  
22 preceding state fiscal biennium in the consumer price index and  
23 rounded to the nearest \$10,000.

24 SECTION 4. Section 171.1015(d), Tax Code, is amended to  
25 read as follows:

26 (d) Section 171.002(d) does not apply to an upper tier  
27 entity if, before the attribution of any total revenue by a lower

1 tier entity to an upper tier entity under this section, the lower  
2 tier entity does not meet the criteria of Section 171.002(d)  
3 [~~171.002(d)(1) or (d)(2)~~].

4 SECTION 5. Sections 171.0021, 171.1016(d), and 171.204(b),  
5 Tax Code, are repealed.

6 SECTION 6. This Act applies only to a report originally due  
7 on or after the effective date of this Act.

8 SECTION 7. This Act takes effect January 1, 2010.