

By: Paxton

H.B. No. 98

A BILL TO BE ENTITLED

AN ACT

relating to the E-Z computation and rate of the franchise tax.

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

SECTION 1. Section 171.1016, Tax Code, is transferred to Subchapter C, Chapter 171, Tax Code, and amended to read as follows:

Sec. 171.1016. E-Z COMPUTATION AND RATE. (a) Notwithstanding any other provision of this chapter, a taxable entity whose total revenue from its entire business is not more than \$10 million may elect to pay the tax imposed under this chapter in the amount computed and at the rate provided by this section rather than in the amount computed and at the tax rate provided by Section 171.002.

(b) The amount of the tax for which a taxable entity that elects to pay the tax as provided by this section is liable is computed by:

(1) determining the taxable entity's total revenue from its entire business, as determined under Section 171.1011;

(2) apportioning the amount computed under Subdivision (1) to this state, as provided by Section 171.106, to determine the taxable entity's apportioned total revenue; ~~and~~

(3) subtracting the amount of federal income taxes the taxable entity paid during the period on which the report is based from the apportioned total revenue computed under Subdivision (2);

(4) subtracting \$1 million from ~~[multiplying]~~ the

1 amount computed under Subdivision (3); and

2 (5) applying to the difference computed under
3 Subdivision (4) the appropriate tax rate, as follows:

4 (A) subject to Subsection (c), if the difference
5 is \$1 million or less, the tax rate is 0.25 percent of the
6 difference; or

7 (B) if the difference is more than \$1 million,
8 the tax rate is \$2,500 plus 0.5 percent of the amount of the
9 difference that exceeds \$1 million.

10 (c) A taxable entity is not required to pay any tax and is
11 not considered to owe any tax for a period if the amount computed
12 under Subsection (b)(4) is zero or less [~~(2) by the rate of 0.575~~
13 ~~percent].~~

14 (d) [~~(c)~~] A taxable entity that elects to pay the tax as
15 provided by this section may not take a credit, deduction, or other
16 adjustment that is not specifically authorized by this section.

17 [~~(d) Section 171.0021 applies to a taxable entity that~~
18 ~~elects to pay the tax as provided by this section.]~~

19 (e) A reference in this chapter or other law to the rate of
20 the franchise tax means, as appropriate, the rate under Section
21 171.002 or, for a taxable entity that elects to pay the tax as
22 provided by this section, the rate under this section.

23 SECTION 2. Section 171.204(b), Tax Code, is amended to read
24 as follows:

25 (b) The comptroller may require a taxable entity that does
26 not owe any tax because of the application of Section 171.002(d)(2)
27 to file an abbreviated information report with the comptroller

1 stating the amount of the taxable entity's total revenue from its
2 entire business. The comptroller may require a taxable entity that
3 does not owe any tax because of the application of Section
4 171.1016(c) to file an abbreviated information report with the
5 comptroller stating the amount computed under Section
6 171.1016(b)(3). The comptroller may not require a taxable entity
7 described by this subsection to file an information report that
8 requires the taxable entity to report or compute its margin.

9 SECTION 3. The changes in law made by this Act apply only to
10 a report originally due on or after the effective date of this Act.

11 SECTION 4. This Act takes effect January 1, 2012.