

BILL ANALYSIS

Senate Research Center

H.B. 213
By: Hilderbran et al. (Hegar)
Finance
5/7/2013
Engrossed

AUTHOR'S / SPONSOR'S STATEMENT OF INTENT

H.B. 213 amends the Tax Code to make permanent the provision of law increasing from \$300,000 to \$1 million the cap on the amount of total revenue from a taxable entity's entire business at or below which the taxable entity has no franchise tax liability by repealing provisions relating to subsequent changes in the maximum amount of a taxable entity's total revenue that would exempt such an entity from tax liability. The bill also repeals provisions relating to discounts from tax liability for small businesses with total business revenue at various ranges below \$900,000 and to the biennial adjustment of certain amounts on which exemptions from tax liability are based to reflect changes in the consumer price index.

H.B. 213 amends current law relating to the \$1 million total revenue exemption for the franchise tax.

RULEMAKING AUTHORITY

This bill does not expressly grant any additional rulemaking authority to a state officer, institution, or agency.

SECTION BY SECTION ANALYSIS

SECTION 1. Repealer: Section 1(c) (relating to providing that if this section takes effect, this section expires December 31, 2011), Chapter 286 (H.B. 4765), Acts of the 81st Legislature, Regular Session, 2009, as amended by Section 37.01, Chapter 4 (S.B. 1), Acts of the 82nd Legislature, 1st Called Session, 2011.

SECTION 2. Repealer: Section 2 (relating to providing that a taxable entity is not required to pay any tax and is not considered to owe any tax for a period if certain conditions are met, including if the amount of the taxable entity's total revenue from its entire business is less than or equal to \$600,000, rather than \$300,000, or the amount determined under Section 171.006 per 12-month period on which margin is based; providing that Section 2 takes effect January 1, 2012; and providing that Section 2 applies only to a report originally due on or after the effective date), Chapter 286 (H.B. 4765), Acts of the 81st Legislature, Regular Session, 2009, as amended by Section 37.02, Chapter 4 (S.B. 1), Acts of the 82nd Legislature, 1st Called Session, 2011, and which amended former Subsection (d), Section 171.002, Tax Code.

SECTION 3. Repealer: Section 3 (relating to deleting existing text providing that a taxable entity is entitled to a discount of the tax imposed under this chapter that the taxable entity is required to pay after determining its taxable margin under Section 171.101, applying the appropriate rate of the tax under Section 171.002(a) or (b), and subtracting certain other allowable credits; providing that Section 3 takes effect January 1, 2012; and providing that this section applies only to a report originally due on or after the effective date of this section), Chapter 286 (H.B. 4765), Acts of the 81st Legislature, Regular Session, 2009, as amended by Section 37.03, Chapter 4 (S.B. 1), Acts of the 82nd Legislature, 1st Called Session, 2011, and which amended former Subsection (a), Section 171.0021, Tax Code.

SECTION 4. (a) Amends Section 171.002(d), Tax Code, as amended by Section 1(a), Chapter 286 (H.B. 4765), Acts of the 81st Legislature, Regular Session, 2009, effective January 1, 2016, to provide that a taxable entity is not required to pay any tax and is not considered to owe any tax

for a period under certain conditions, including if the amount of the taxable entity's total revenue from its entire business is less than or equal to \$5 million, rather than \$1 million, or the amount determined under Section 171.006 (Adjustment of Eligibility For No Tax Due, Discounts, and Compensation Deduction) per 12-month period on which margin is based.

(b) Amends Section 171.002(d), Tax Code, as amended by Section 1(a), Chapter 286 (H.B. 4765), Acts of the 81st Legislature, Regular Session, 2009, effective January 1, 2018, to provide that a taxable entity is not required to pay any tax and is not considered to owe any tax for a period under certain conditions, including if the amount of the taxable entity's total revenue from its entire business is less than or equal to \$10 million, rather than \$1 million, or the amount determined under Section 171.006 per 12-month period on which margin is based.

(c) Amends Section 171.002(d), Tax Code, as amended by Section 1(a), Chapter 286 (H.B. 4765), Acts of the 81st Legislature, Regular Session, 2009, effective January 1, 2020, to provide that a taxable entity is not required to pay any tax and is not considered to owe any tax for a period under certain conditions, including if the amount of the taxable entity's total revenue from its entire business is less than or equal to \$15 million, rather than \$1 million, or the amount determined under Section 171.006 per 12-month period on which margin is based.

(d) Amends Section 171.002(d), Tax Code, as amended by Section 1(a), Chapter 286 (H.B. 4765), Acts of the 81st Legislature, Regular Session, 2009, effective January 1, 2022, to provide that a taxable entity is not required to pay any tax and is not considered to owe any tax for a period under certain conditions, including if the amount of the taxable entity's total revenue from its entire business is less than or equal to \$20 million, rather than \$1 million, or the amount determined under Section 171.006 per 12-month period on which margin is based.

(e) Provides that this section applies only to a report originally due on or after January 1, 2016.

SECTION 5. Amends Section 171.006(b), Tax Code, to provide that beginning in 2010, on January 1 of each even-numbered year, the amounts prescribed by Sections 171.002(d)(2) (relating to providing that a taxable entity is not required to pay any tax and is not considered to owe any tax for a period under certain conditions) and 171.1013(c) (relating to prohibiting a taxable entity, notwithstanding the actual amount of wages and cash compensation paid by a taxable entity to its officers, directors, owners, partners, and employees, from including more than \$300,000, or the amount determined under Section 171.006, per 12-month period on which margin is based, for any person in the amount of wages and cash compensation it determines under this section), rather than the amounts prescribed by Sections 171.002(d)(2), 171.0021 (Discounts From Tax Liability For Small Businesses), and 171.1013(c), are increased or decreased by an amount equal to the amount prescribed by those sections on December 31 of the preceding year multiplied by the percentage increase or decrease during the preceding state fiscal biennium in the consumer price index and rounded to the nearest \$10,000.

SECTION 6. Repealers: Sections 171.0021 (Discounts From Tax Liability For Small Businesses) and 171.1016(d) (relating to providing that Section 171.0021 applies to a taxable entity that elects to pay the tax as provided by this section), Tax Code.

SECTION 7. Effective date, except as otherwise provided by this Act: upon passage or September 1, 2013.