

## **BILL ANALYSIS**

H.B. 213  
By: Hilderbran  
Ways & Means  
Committee Report (Unamended)

### **BACKGROUND AND PURPOSE**

Interested parties note that recent legislation temporarily raised the annual revenue threshold for an exemption from franchise tax liability from \$300,000 to \$1 million for tax reports due in 2011 and 2012, after which the exemption from liability is scheduled to return to its original thresholds. The parties assert that many thousands of small businesses in Texas have benefited from the increase in the franchise tax exemption amount and will lose that benefit once the threshold falls again. H.B. 213 seeks to permanently extend the \$1 million exemption, with the intention of allowing Texas to preserve its competitive edge in the national business market.

### **RULEMAKING AUTHORITY**

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

### **ANALYSIS**

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 repeals the following provisions relating to the retention of the \$1 million total revenue exemption for the franchise tax:

- Section 1(c), 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, 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, 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 171.0021, Tax Code
- Section 171.1016(d), Tax Code

### **EFFECTIVE DATE**

On passage, or, if the bill does not receive the necessary vote, September 1, 2013.