BILL ANALYSIS

AUTHOR'S / SPONSOR'S STATEMENT OF INTENT

In 2009, the legislature passed the small businesses exemption to the revised franchise tax for businesses that have gross receipts of less than one million dollars. Unfortunately, the exemption had to be renewed during the 2011 session and will expire in 2013.

S.B. 100 raises the small business exemption from one million to five million dollars in gross receipts and makes the small business exemption permanent. According to the Business Tax Advisory Committee to the 83rd Texas Legislature, this reduction will assist over 66,000 businesses by providing a tax cut of about $225 million annually.

As proposed, S.B. 100 amends current law relating to the 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. 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, to provide that a taxable entity is not required to pay any tax and is not considered to owe any tax for a period if, among other conditions, 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.

SECTION 2. Amends Section 171.006(b), Tax Code, to remove Section 171.0021 (Discounts from Tax Liability for Small Businesses) from the list of sections that prescribe amounts which, beginning in 2010, on January 1 of each even-numbered year, 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 3. Repealer: Section 1(c) (relating the expiration date of Section 1), 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 4. Repealer: Section 2 (relating to amending Section 171.002(d) (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, among other conditions, 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 (Adjustment of Eligibility for No Tax Due, Discounts, and Compensation Deduction) per 12-month period on which margin is based), Tax Code, its effective date, and its application), 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 Section 171.002(d), Tax Code.

SECTION 5. Repealer: Section 3 (relating to amending Section 171.0021(a) (relating to providing that a taxable entity is entitled to a discount of the tax imposed under this chapter that the entity is required to pay after determining its taxable margin under certain conditions), Tax Code, its effective date, and its application), 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 Section 171.002(a), Tax Code.

SECTION 6. Repealers: Sections 171.0021 (Discounts from Tax Liability for Small Businesses) and 171.1016(d) (relating to the applicability of Section 171.0021 to a taxable entity that elects to pay the tax as provided by Section 171.1016 (E-Z Computation and Rate), Tax Code), Tax Code.

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

SECTION 8. Effective date: January 1, 2014.