

By: Murphy, Harper-Brown, Harless,
Hilderbran, et al.

H.B. No. 509

Substitute the following for H.B. No. 509:

By: Hilderbran

C.S.H.B. No. 509

A BILL TO BE ENTITLED

1 AN ACT

2 relating to the phaseout and repeal of the franchise tax; lowering
3 the rates of the taxes.

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

5 SECTION 1. (a) Effective January 1, 2014, Sections
6 171.002(a) and (b), Tax Code, are amended to read as follows:

7 (a) Subject to Sections 171.003 and 171.1016 and except as
8 provided by Subsection (b), the rate of the franchise tax is 0.75
9 [~~one~~] percent of taxable margin.

10 (b) Subject to Sections 171.003 and 171.1016, the rate of
11 the franchise tax is 0.38 [~~0.5~~] percent of taxable margin for those
12 taxable entities primarily engaged in retail or wholesale trade.

13 (b) This section applies only to a report originally due on
14 or after January 1, 2014.

15 SECTION 2. (a) Effective January 1, 2015, Sections
16 171.002(a) and (b), Tax Code, are amended to read as follows:

17 (a) Subject to Sections 171.003 and 171.1016 and except as
18 provided by Subsection (b), the rate of the franchise tax is 0.50
19 [~~one~~] percent of taxable margin.

20 (b) Subject to Sections 171.003 and 171.1016, the rate of
21 the franchise tax is 0.25 [~~0.5~~] percent of taxable margin for those
22 taxable entities primarily engaged in retail or wholesale trade.

23 (b) This section applies only to a report originally due on
24 or after January 1, 2015.

1 SECTION 3. (a) Effective January 1, 2016, Sections
2 171.002(a) and (b), Tax Code, are amended to read as follows:

3 (a) Subject to Sections 171.003 and 171.1016 and except as
4 provided by Subsection (b), the rate of the franchise tax is 0.25
5 [~~one~~] percent of taxable margin.

6 (b) Subject to Sections 171.003 and 171.1016, the rate of
7 the franchise tax is 0.13 [~~0.5~~] percent of taxable margin for those
8 taxable entities primarily engaged in retail or wholesale trade.

9 (b) This section applies only to a report originally due on
10 or after January 1, 2016.

11 SECTION 4. (a) Effective January 1, 2014, Section
12 171.1016(b), Tax Code, is amended to read as follows:

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

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

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

21 (3) multiplying the amount computed under Subdivision
22 (2) by the rate of 0.43 [~~0.575~~] percent.

23 (b) This section applies only to a report originally due on
24 or after January 1, 2014.

25 SECTION 5. (a) Effective January 1, 2015, Section
26 171.1016(b), Tax Code, is amended to read as follows:

27 (b) The amount of the tax for which a taxable entity that

1 elects to pay the tax as provided by this section is liable is
2 computed by:

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

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

8 (3) multiplying the amount computed under Subdivision
9 (2) by the rate of 0.29 [~~0.575~~] percent.

10 (b) This section applies only to a report originally due on
11 or after January 1, 2015.

12 SECTION 6. (a) Effective January 1, 2016, Section
13 171.1016(b), Tax Code, is amended to read as follows:

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

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

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

22 (3) multiplying the amount computed under Subdivision
23 (2) by the rate of 0.14 [~~0.575~~] percent.

24 (b) This section applies only to a report originally due on
25 or after January 1, 2016.

26 SECTION 7. Section 171.006(b), Tax Code, is amended to read
27 as follows:

1 (b) Beginning in 2010, on January 1 of each even-numbered
2 year, the amounts prescribed by Sections 171.002(d)(2)[~~7~~
3 ~~171.0021,~~] and 171.1013(c) are increased or decreased by an amount
4 equal to the amount prescribed by those sections on December 31 of
5 the preceding year multiplied by the percentage increase or
6 decrease during the preceding state fiscal biennium in the consumer
7 price index and rounded to the nearest \$10,000.

8 SECTION 8. Section 1(c), Chapter 286 (H.B. 4765), Acts of
9 the 81st Legislature, Regular Session, 2009, as amended by Section
10 37.01, Chapter 4 (S.B. 1), Acts of the 82nd Legislature, 1st Called
11 Session, 2011, is repealed.

12 SECTION 9. Section 2, Chapter 286 (H.B. 4765), Acts of the
13 81st Legislature, Regular Session, 2009, as amended by Section
14 37.02, Chapter 4 (S.B. 1), Acts of the 82nd Legislature, 1st Called
15 Session, 2011, and which amended former Subsection (d), Section
16 171.002, Tax Code, is repealed.

17 SECTION 10. Section 3, Chapter 286 (H.B. 4765), Acts of the
18 81st Legislature, Regular Session, 2009, as amended by Section
19 37.03, Chapter 4 (S.B. 1), Acts of the 82nd Legislature, 1st Called
20 Session, 2011, and which amended former Subsection (a), Section
21 171.0021, Tax Code, is repealed.

22 SECTION 11. Sections 171.0021 and 171.1016(d), Tax Code,
23 are repealed.

24 SECTION 12. (a) Chapter 171, Tax Code, is repealed.

25 (b) A taxable entity that is subject to the franchise tax
26 imposed under Chapter 171, Tax Code, on December 31, 2016, shall
27 file a final franchise tax return and pay a transitional tax as

1 required by this subsection on or before May 15, 2017. The
2 transitional tax is equal to the tax the taxable entity would have
3 paid in 2017 under Chapter 171, Tax Code, if Chapter 171, Tax Code,
4 had not been repealed. The provisions of Chapter 171, Tax Code,
5 relating to the computation and payment of the franchise tax remain
6 in effect after the repeal of Chapter 171, Tax Code, by this section
7 for the purposes of computing and paying the transitional tax
8 required by this subsection.

9 (c) Chapter 171, Tax Code, and Subtitle B, Title 2, Tax
10 Code, continue to apply to audits, deficiencies, redeterminations,
11 and refunds of any tax due or collected under Chapter 171, including
12 the tax due as provided by Subsection (b) of this section, until
13 barred by limitations.

14 (d) The repeal of Chapter 171, Tax Code, does not affect:

15 (1) the status of a taxable entity that has had its
16 corporate privileges, certificate of authority, certificate of
17 organization, certificate of limited partnership, corporate
18 charter, or registration revoked, suit filed against it, or a
19 receiver appointed under Subchapter F, G, or H of that chapter;

20 (2) the ability of the comptroller, secretary of
21 state, or attorney general to take action against a taxable entity
22 under Subchapter F, G, or H of that chapter for actions that took
23 place before the repeal; or

24 (3) the right of a taxable entity to contest a
25 forfeiture, revocation, lawsuit, or appointment of a receiver under
26 Subchapter F, G, or H of that chapter.

27 (e) This section takes effect January 1, 2017.

1 SECTION 13. Except as otherwise provided by this Act, this
2 Act applies only to a report originally due on or after the
3 effective date of this Act.

4 SECTION 14. Except as otherwise provided by this Act, this
5 Act takes effect January 1, 2014.