

By: Murphy

H.B. No. 509

A BILL TO BE ENTITLED

AN ACT

relating to the phaseout and repeal of the franchise tax.

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

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

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

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

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

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

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

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

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

SECTION 3. (a) Effective January 1, 2016, Sections

1 171.002(a) and (b), Tax Code, are amended to read as follows:

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

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

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

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

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

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

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

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

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

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

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

1 computed by:

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

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

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

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

11 SECTION 6. (a) Effective January 1, 2016, 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 0.14 [~~0.575~~] percent.

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

25 SECTION 7. (a) Chapter 171, Tax Code, is repealed.

26 (b) A taxable entity that is subject to the franchise tax
27 imposed under Chapter 171, Tax Code, on December 31, 2016, shall

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

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

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

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

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

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

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

2 SECTION 8. Except as otherwise provided by this Act, this
3 Act applies only to a report originally due on or after the
4 effective date of this Act.

5 SECTION 9. Except as otherwise provided by this Act, this
6 Act takes effect January 1, 2014.