

# SENATE AMENDMENTS

2<sup>nd</sup> Printing

By: Hilderbran, Villalba, Workman, Lozano,  
Capriglione, et al.

H.B. No. 213

A BILL TO BE ENTITLED

1 AN ACT

2 relating to the \$1 million total revenue exemption for the  
3 franchise tax.

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

5 SECTION 1. Section 1(c), Chapter 286 (H.B. 4765), Acts of  
6 the 81st Legislature, Regular Session, 2009, as amended by Section  
7 37.01, Chapter 4 (S.B. 1), Acts of the 82nd Legislature, 1st Called  
8 Session, 2011, is repealed.

9 SECTION 2. Section 2, Chapter 286 (H.B. 4765), Acts of the  
10 81st Legislature, Regular Session, 2009, as amended by Section  
11 37.02, Chapter 4 (S.B. 1), Acts of the 82nd Legislature, 1st Called  
12 Session, 2011, and which amended former Subsection (d), Section  
13 171.002, Tax Code, is repealed.

14 SECTION 3. Section 3, Chapter 286 (H.B. 4765), Acts of the  
15 81st Legislature, Regular Session, 2009, as amended by Section  
16 37.03, Chapter 4 (S.B. 1), Acts of the 82nd Legislature, 1st Called  
17 Session, 2011, and which amended former Subsection (a), Section  
18 171.0021, Tax Code, is repealed.

19 SECTION 4. (a) Effective January 1, 2016, Section  
20 171.002(d), Tax Code, as amended by Section 1(a), Chapter 286 (H.B.  
21 4765), Acts of the 81st Legislature, Regular Session, 2009, is  
22 amended to read as follows:

23 (d) A taxable entity is not required to pay any tax and is  
24 not considered to owe any tax for a period if:

1           (1) the amount of tax computed for the taxable entity  
2 is less than \$1,000; or

3           (2) the amount of the taxable entity's total revenue  
4 from its entire business is less than or equal to \$5 [~~\$1~~] million or  
5 the amount determined under Section 171.006 per 12-month period on  
6 which margin is based.

7           (b) Effective January 1, 2018, Section 171.002(d), Tax  
8 Code, as amended by Section 1(a), Chapter 286 (H.B. 4765), Acts of  
9 the 81st Legislature, Regular Session, 2009, is amended to read as  
10 follows:

11           (d) A taxable entity is not required to pay any tax and is  
12 not considered to owe any tax for a period if:

13           (1) the amount of tax computed for the taxable entity  
14 is less than \$1,000; or

15           (2) the amount of the taxable entity's total revenue  
16 from its entire business is less than or equal to \$10 [~~\$1~~] million  
17 or the amount determined under Section 171.006 per 12-month period  
18 on which margin is based.

19           (c) Effective January 1, 2020, Section 171.002(d), Tax  
20 Code, as amended by Section 1(a), Chapter 286 (H.B. 4765), Acts of  
21 the 81st Legislature, Regular Session, 2009, is amended to read as  
22 follows:

23           (d) A taxable entity is not required to pay any tax and is  
24 not considered to owe any tax for a period if:

25           (1) the amount of tax computed for the taxable entity  
26 is less than \$1,000; or

27           (2) the amount of the taxable entity's total revenue

1 from its entire business is less than or equal to \$15 [~~\$1~~] million  
2 or the amount determined under Section 171.006 per 12-month period  
3 on which margin is based.

4 (d) Effective January 1, 2022, Section 171.002(d), Tax  
5 Code, as amended by Section 1(a), Chapter 286 (H.B. 4765), Acts of  
6 the 81st Legislature, Regular Session, 2009, is amended to read as  
7 follows:

8 (d) A taxable entity is not required to pay any tax and is  
9 not considered to owe any tax for a period if:

10 (1) the amount of tax computed for the taxable entity  
11 is less than \$1,000; or

12 (2) the amount of the taxable entity's total revenue  
13 from its entire business is less than or equal to \$20 [~~\$1~~] million  
14 or the amount determined under Section 171.006 per 12-month period  
15 on which margin is based.

16 (e) This section applies only to a report originally due on  
17 or after January 1, 2016.

18 SECTION 5. Section 171.006(b), Tax Code, is amended to read  
19 as follows:

20 (b) Beginning in 2010, on January 1 of each even-numbered  
21 year, the amounts prescribed by Sections 171.002(d)(2) [~~7~~  
22 ~~171.00217~~] and 171.1013(c) are increased or decreased by an amount  
23 equal to the amount prescribed by those sections on December 31 of  
24 the preceding year multiplied by the percentage increase or  
25 decrease during the preceding state fiscal biennium in the consumer  
26 price index and rounded to the nearest \$10,000.

27 SECTION 6. Sections 171.0021 and 171.1016(d), Tax Code, are

1 repealed.

2           SECTION 7. Except as otherwise provided by this Act, this  
3 Act takes effect immediately if it receives a vote of two-thirds of  
4 all the members elected to each house, as provided by Section 39,  
5 Article III, Texas Constitution. If this Act does not receive the  
6 vote necessary for immediate effect, this Act takes effect  
7 September 1, 2013.

**ADOPTED**

MAY 22 2013

*Atty. Gen.*  
Secretary of the Senate

By: *Sten Hegar*

H.B. No. 213

Substitute the following for H.B. No. 213:

By: *[Signature]*

C.S. H.B. No. 213

A BILL TO BE ENTITLED

1 AN ACT

2 relating to the \$1 million total revenue exemption for the  
3 franchise tax.

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

5 SECTION 1. Section 1(c), Chapter 286 (H.B. 4765), Acts of  
6 the 81st Legislature, Regular Session, 2009, as amended by Section  
7 37.01, Chapter 4 (S.B. 1), Acts of the 82nd Legislature, 1st Called  
8 Session, 2011, is repealed.

9 SECTION 2. Section 2, Chapter 286 (H.B. 4765), Acts of the  
10 81st Legislature, Regular Session, 2009, as amended by Section  
11 37.02, Chapter 4 (S.B. 1), Acts of the 82nd Legislature, 1st Called  
12 Session, 2011, and which amended former Subsection (d), Section  
13 171.002, Tax Code, is repealed.

14 SECTION 3. Section 3, Chapter 286 (H.B. 4765), Acts of the  
15 81st Legislature, Regular Session, 2009, as amended by Section  
16 37.03, Chapter 4 (S.B. 1), Acts of the 82nd Legislature, 1st Called  
17 Session, 2011, and which amended former Subsection (a), Section  
18 171.0021, Tax Code, is repealed.

19 SECTION 4. Section 171.006(b), Tax Code, is amended to read  
20 as follows:

21 (b) Beginning in 2010, on January 1 of each even-numbered  
22 year, the amounts prescribed by Sections 171.002(d)(2)[  
23 ~~171.0021,~~] and 171.1013(c) are increased or decreased by an amount  
24 equal to the amount prescribed by those sections on December 31 of

1 the preceding year multiplied by the percentage increase or  
2 decrease during the preceding state fiscal biennium in the consumer  
3 price index and rounded to the nearest \$10,000.

4 SECTION 5. Sections 171.0021 and 171.1016(d), Tax Code, are  
5 repealed.

6 SECTION 6. This Act takes effect immediately if it receives  
7 a vote of two-thirds of all the members elected to each house, as  
8 provided by Section 39, Article III, Texas Constitution. If this  
9 Act does not receive the vote necessary for immediate effect, this  
10 Act takes effect September 1, 2013.

**LEGISLATIVE BUDGET BOARD  
Austin, Texas**

**FISCAL NOTE, 83RD LEGISLATIVE REGULAR SESSION**

**May 22, 2013**

**TO:** Honorable Joe Straus, Speaker of the House, House of Representatives

**FROM:** Ursula Parks, Director, Legislative Budget Board

**IN RE:** **HB213** by Hilderbran (Relating to the \$1 million total revenue exemption for the franchise tax.), **As Passed 2nd House**

**Estimated Two-year Net Impact to General Revenue Related Funds** for HB213, As Passed 2nd House: an impact of \$0 through the biennium ending August 31, 2015.

**Additionally, the bill will have a direct impact of a revenue loss to the Property Tax Relief Fund of (\$164,032,000) for the 2014-15 biennium. Any loss to the Property Tax Relief Fund must be made up with an equal amount of General Revenue to fund the Foundation School Program.**

**General Revenue-Related Funds, Five-Year Impact:**

Fiscal Year	Probable Net Positive/(Negative) Impact to General Revenue Related Funds
2014	\$0
2015	\$0
2016	\$0
2017	\$0
2018	\$0

**All Funds, Five-Year Impact:**

Fiscal Year	Probable Revenue (Loss) from Property Tax Relief Fund
	<b>304</b>
2014	(\$81,848,000)
2015	(\$82,184,000)
2016	(\$83,727,000)
2017	(\$82,241,000)
2018	(\$81,569,000)

**Fiscal Analysis**

The bill would amend Chapter 171 of the Tax Code, regarding the franchise tax, to increase the amount of total revenue below which a taxable entity would owe no tax to \$1 million for reports

due in 2014 and later. The amount in current law is \$600,000.

The bill would repeal sections of Chapter 171 which would not be relevant with a permanent \$1 million total revenue base for owing no franchise tax, to include provisions for tax liability discounts for taxable entities with total revenue between \$600,000 and \$900,000; adjustments to the tax liability discount revenue limits based on changes in the consumer price index; and the availability of the tax liability discounts for taxable entities filing the EZ form.

The bill would take effect immediately upon enactment, assuming that it received the requisite two-thirds majority votes in both houses of the Legislature. Otherwise, it would take effect September 1, 2013.

### **Methodology**

The estimated fiscal impact of the bill is based on data from franchise tax reports from taxable entities with total revenue between \$600,000 and \$1 million. The fiscal impact would be the same for immediate effect and for a September 1, 2013 effective date.

### **Technology**

There would be a one-time technology cost of \$73,000 in fiscal year 2014 for programming maintenance and system support costs.

### **Local Government Impact**

No fiscal implication to units of local government is anticipated.

**Source Agencies:** 304 Comptroller of Public Accounts

**LBB Staff:** UP, KK, SD



**LEGISLATIVE BUDGET BOARD**  
**Austin, Texas**

**FISCAL NOTE, 83RD LEGISLATIVE REGULAR SESSION**

**May 18, 2013**

**TO:** Honorable Tommy Williams, Chair, Senate Committee on Finance

**FROM:** Ursula Parks, Director, Legislative Budget Board

**IN RE: HB213** by Hilderbran (relating to the \$1 million total revenue exemption for the franchise tax.), **Committee Report 2nd House, Substituted**

**Estimated Two-year Net Impact to General Revenue Related Funds** for HB213, Committee Report 2nd House, Substituted: an impact of \$0 through the biennium ending August 31, 2015.

**Additionally, the bill will have a direct impact of a revenue loss to the Property Tax Relief Fund of (\$164,032,000) for the 2014-15 biennium. Any loss to the Property Tax Relief Fund must be made up with an equal amount of General Revenue to fund the Foundation School Program.**

**General Revenue-Related Funds, Five-Year Impact:**

Fiscal Year	Probable Net Positive/(Negative) Impact to General Revenue Related Funds
2014	\$0
2015	\$0
2016	\$0
2017	\$0
2018	\$0

**All Funds, Five-Year Impact:**

Fiscal Year	Probable Revenue (Loss) from <i>Property Tax Relief Fund</i> 304
2014	(\$81,848,000)
2015	(\$82,184,000)
2016	(\$83,727,000)
2017	(\$82,241,000)
2018	(\$81,569,000)

**Fiscal Analysis**

The bill would amend Chapter 171 of the Tax Code, regarding the franchise tax, to increase the amount of total revenue below which a taxable entity would owe no tax to \$1 million for reports

due in 2014 and later. The amount in current law is \$600,000.

The bill would repeal sections of Chapter 171 which would not be relevant with a permanent \$1 million total revenue base for owing no franchise tax, to include provisions for tax liability discounts for taxable entities with total revenue between \$600,000 and \$900,000; adjustments to the tax liability discount revenue limits based on changes in the consumer price index; and the availability of the tax liability discounts for taxable entities filing the EZ form.

The bill would take effect immediately upon enactment, assuming that it received the requisite two-thirds majority votes in both houses of the Legislature. Otherwise, it would take effect September 1, 2013.

### **Methodology**

The estimated fiscal impact of the bill is based on data from franchise tax reports from taxable entities with total revenue between \$600,000 and \$1 million. The fiscal impact would be the same for immediate effect and for a September 1, 2013 effective date.

### **Technology**

There would be a one-time technology cost of \$73,000 in fiscal year 2014 for programming maintenance and system support costs.

### **Local Government Impact**

No fiscal implication to units of local government is anticipated.

**Source Agencies:** 304 Comptroller of Public Accounts

**LBB Staff:** UP, KK, SD

**LEGISLATIVE BUDGET BOARD**  
**Austin, Texas**

**FISCAL NOTE, 83RD LEGISLATIVE REGULAR SESSION**

**May 9, 2013**

**TO:** Honorable Tommy Williams, Chair, Senate Committee on Finance

**FROM:** Ursula Parks, Director, Legislative Budget Board

**IN RE: HB213** by Hilderbran (Relating to the \$1 million total revenue exemption for the franchise tax.), **As Engrossed**

**Estimated Two-year Net Impact to General Revenue Related Funds** for HB213, As Engrossed: an impact of \$0 through the biennium ending August 31, 2015.

**Additionally, the bill will have a direct impact of a revenue loss to the Property Tax Relief Fund of (\$164,032,000) for the 2014-15 biennium. Any loss to the Property Tax Relief Fund must be made up with an equal amount of General Revenue to fund the Foundation School Program.**

**Revenue losses would increase substantially in future biennium due to the phase-in of a higher total revenue threshold for elimination of franchise tax liability. When the highest threshold becomes law in FY 2022, the bill will have a direct impact of a revenue loss to the Property Tax Relief Fund of (\$1,879,831,000) in the 2022-23 biennium.**

**General Revenue-Related Funds, Ten-Year Impact:**

<b>Fiscal Year</b>	<b>Probable Net Positive/(Negative) Impact to General Revenue Related Funds</b>
2014	\$0
2015	\$0
2016	\$0
2017	\$0
2018	\$0
2019	\$0
2020	\$0
2021	\$0
2022	\$0
2023	\$0

**All Funds, Ten-Year Impact:**

<b>Fiscal Year</b>	<b>Probable Revenue (Loss) from <i>Property Tax Relief Fund</i> 304</b>
2014	(\$81,848,000)
2015	(\$82,184,000)
2016	(\$506,510,000)
2017	(\$497,525,000)
2018	(\$697,042,000)
2019	(\$704,012,000)
2020	(\$829,772,000)
2021	(\$838,070,000)
2022	(\$935,239,000)
2023	(\$944,592,000)

**Fiscal Analysis**

The bill would amend Chapter 171 of the Tax Code, regarding the franchise tax, by setting an amount of total revenue at or below which a taxable entity would incur no franchise tax liability. The amount in current law for reports due in 2014 or later is \$600,000. This bill would set the amount at \$1 million for reports due in 2014 and 2015; \$5 million for reports due in 2016 and 2017; \$10 million for reports due in 2018 and 2019; \$15 million for reports due in 2020 and 2021; and \$20 million for reports due in 2022 and later. The bill would repeal sections of Chapter 171 that would have no effect with the changes made by the bill.

Except as otherwise provided by the bill would take effect immediately upon enactment, assuming that it received the requisite two-thirds majority votes in both houses of the Legislature. Otherwise, it would take effect September 1, 2013.

**Methodology**

The estimated fiscal impact of the bill is based on data from the Comptroller's franchise tax return files. The fiscal impact would be the same for immediate effect and for a September 1, 2013 effective date.

**Local Government Impact**

No fiscal implication to units of local government is anticipated.

**Source Agencies:** 304 Comptroller of Public Accounts

**LBB Staff:** UP, KK, SD

**LEGISLATIVE BUDGET BOARD**  
**Austin, Texas**

**FISCAL NOTE, 83RD LEGISLATIVE REGULAR SESSION**

**March 28, 2013**

**TO:** Honorable Harvey Hilderbran, Chair, House Committee on Ways & Means

**FROM:** Ursula Parks, Director, Legislative Budget Board

**IN RE: HB213** by Hilderbran (Relating to the \$1 million total revenue exemption for the franchise tax.), **As Introduced**

**Estimated Two-year Net Impact to General Revenue Related Funds** for HB213, As Introduced: an impact of \$0 through the biennium ending August 31, 2015.

**Additionally, the bill will have a direct impact of a revenue loss to the Property Tax Relief Fund of (\$164,032,000) for the 2014-15 biennium. Any loss to the Property Tax Relief Fund must be made up with an equal amount of General Revenue to fund the Foundation School Program.**

**General Revenue-Related Funds, Five-Year Impact:**

<b>Fiscal Year</b>	<b>Probable Net Positive/(Negative) Impact to General Revenue Related Funds</b>
2014	\$0
2015	\$0
2016	\$0
2017	\$0
2018	\$0

**All Funds, Five-Year Impact:**

<b>Fiscal Year</b>	<b>Probable Revenue (Loss) from Property Tax Relief Fund 304</b>
2014	(\$81,848,000)
2015	(\$82,184,000)
2016	(\$83,727,000)
2017	(\$82,241,000)
2018	(\$81,569,000)

**Fiscal Analysis**

The bill would amend Chapter 171 of the Tax Code, regarding the franchise tax, to increase the amount of total revenue below which a taxable entity would owe no tax to \$1 million for reports

due in 2014 and later. The amount in current law is \$600,000.

The bill would repeal sections of Chapter 171 which would not be relevant with a permanent \$1 million total revenue base for owing no franchise tax, to include provisions for tax liability discounts for taxable entities with total revenue between \$600,000 and \$900,000; adjustments to the tax liability discount revenue limits based on changes in the consumer price index; and the availability of the tax liability discounts for taxable entities filing the EZ form.

The bill would take effect immediately upon enactment, assuming that it received the requisite two-thirds majority votes in both houses of the Legislature. Otherwise, it would take effect September 1, 2013.

### **Methodology**

The estimated fiscal impact of the bill is based on data from franchise tax reports from taxable entities with total revenue between \$600,000 and \$1 million. The fiscal impact would be the same for immediate effect and for a September 1, 2013 effective date.

### **Technology**

The Comptroller indicates there would be a one-time technology cost of \$73,000 in fiscal year 2014 for programming maintenance and system support costs.

### **Local Government Impact**

No fiscal implication to units of local government is anticipated.

**Source Agencies:** 304 Comptroller of Public Accounts

**LBB Staff:** UP, KK, SD

**LEGISLATIVE BUDGET BOARD**  
**Austin, Texas**

**TAX/FEE EQUITY NOTE**

**83RD LEGISLATIVE REGULAR SESSION**

**March 28, 2013**

**TO:** Honorable Harvey Hilderbran, Chair, House Committee on Ways & Means

**FROM:** Ursula Parks, Director, Legislative Budget Board

**IN RE: HB213** by Hilderbran (Relating to the \$1 million total revenue exemption for the franchise tax.), **As Introduced**

No statistically significant impact on the overall distribution of a state tax or fee burden among individuals and businesses is anticipated from the provisions of this bill.

**Source Agencies:**

**LBB Staff:** UP, KK