

By: Leach

H.B. No. 250

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 tax.

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

5 SECTION 1. (a) Effective January 1, 2016, 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 0.8  
9 [~~one~~] percent of taxable margin.

10 (b) Subject to Sections 171.003 and 171.1016, the rate of  
11 the franchise tax is 0.4 [~~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, 2016.

15 SECTION 2. (a) Effective January 1, 2017, 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 0.56  
19 [~~one~~] percent of taxable margin.

20 (b) Subject to Sections 171.003 and 171.1016, the rate of  
21 the franchise tax is 0.28 [~~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, 2017.

1 SECTION 3. (a) Effective January 1, 2018, 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 0.336  
5 [~~one~~] percent of taxable margin.

6 (b) Subject to Sections 171.003 and 171.1016, the rate of  
7 the franchise tax is 0.168 [~~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, 2018.

11 SECTION 4. (a) Effective January 1, 2019, Sections  
12 171.002(a) and (b), Tax Code, are amended to read as follows:

13 (a) Subject to Sections 171.003 and 171.1016 and except as  
14 provided by Subsection (b), the rate of the franchise tax is 0.168  
15 [~~one~~] percent of taxable margin.

16 (b) Subject to Sections 171.003 and 171.1016, the rate of  
17 the franchise tax is 0.084 [~~0.5~~] percent of taxable margin for those  
18 taxable entities primarily engaged in retail or wholesale trade.

19 (b) This section applies only to a report originally due on  
20 or after January 1, 2019.

21 SECTION 5. (a) Effective January 1, 2016, Section  
22 171.1016(b), Tax Code, is amended to read as follows:

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

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

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

4           (3) multiplying the amount computed under Subdivision  
5 (2) by the rate of 0.46 [~~0.575~~] percent.

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

8           SECTION 6. (a) Effective January 1, 2017, Section  
9 171.1016(b), Tax Code, is amended to read as follows:

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

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

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

18           (3) multiplying the amount computed under Subdivision  
19 (2) by the rate of 0.322 [~~0.575~~] percent.

20           (b) This section applies only to a report originally due on  
21 or after January 1, 2017.

22           SECTION 7. (a) Effective January 1, 2018, Section  
23 171.1016(b), Tax Code, is amended to read as follows:

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

27           (1) determining the taxable entity's total revenue

1 from its entire business, as determined under Section 171.1011;

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

5 (3) multiplying the amount computed under Subdivision  
6 (2) by the rate of 0.193 [~~0.575~~] percent.

7 (b) This section applies only to a report originally due on  
8 or after January 1, 2018.

9 SECTION 8. (a) Effective January 1, 2019, Section  
10 171.1016(b), Tax Code, is amended to read as follows:

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

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

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

19 (3) multiplying the amount computed under Subdivision  
20 (2) by the rate of 0.097 [~~0.575~~] percent.

21 (b) This section applies only to a report originally due on  
22 or after January 1, 2019.

23 SECTION 9. (a) Chapter 171, Tax Code, is repealed.

24 (b) A taxable entity that is subject to the franchise tax  
25 imposed under Chapter 171, Tax Code, on December 31, 2019, shall  
26 file a final franchise tax report and pay a transitional tax as  
27 required by this subsection on or before May 15, 2020. The

1 transitional tax is equal to the tax the taxable entity would have  
2 paid in 2020 under Chapter 171, Tax Code, if Chapter 171, Tax Code,  
3 had not been repealed. The provisions of Chapter 171, Tax Code,  
4 relating to the computation and payment of the franchise tax remain  
5 in effect after the repeal of Chapter 171, Tax Code, by this section  
6 for the purposes of computing and paying the transitional tax  
7 required by this subsection.

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

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

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

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

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

26 (e) This section takes effect January 1, 2020.

27 SECTION 10. Except as otherwise provided by this Act, this

1 Act applies only to a report originally due on or after the  
2 effective date of this Act.

3 SECTION 11. Except as otherwise provided by this Act, this  
4 Act takes effect January 1, 2016.