

By: Huberty

H.B. No. 552

A BILL TO BE ENTITLED

AN ACT

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

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

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

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

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

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