

By: Bohac

H.B. No. 1314

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 0.9 [~~one~~] percent of taxable margin.

(b) Subject to Sections 171.003 and 171.1016, the rate of the franchise tax is 0.45 [~~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 0.8 [~~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, 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 0.7
5 [~~one~~] percent of taxable margin.

6 (b) Subject to Sections 171.003 and 171.1016, the rate of
7 the franchise tax is 0.35 [~~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 0.6
15 [~~one~~] percent of taxable margin.

16 (b) Subject to Sections 171.003 and 171.1016, the rate of
17 the franchise tax is 0.3 [~~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, 2020, Sections
22 171.002(a) and (b), Tax Code, are amended to read as follows:

23 (a) Subject to Sections 171.003 and 171.1016 and except as
24 provided by Subsection (b), the rate of the franchise tax is 0.5
25 [~~one~~] percent of taxable margin.

26 (b) Subject to Sections 171.003 and 171.1016, the rate of
27 the franchise tax is 0.25 [~~0.5~~] percent of taxable margin for those

1 taxable entities primarily engaged in retail or wholesale trade.

2 (b) This section applies only to a report originally due on
3 or after January 1, 2020.

4 SECTION 6. (a) Effective January 1, 2021, Sections
5 171.002(a) and (b), Tax Code, are amended to read as follows:

6 (a) Subject to Sections 171.003 and 171.1016 and except as
7 provided by Subsection (b), the rate of the franchise tax is 0.4
8 [~~one~~] percent of taxable margin.

9 (b) Subject to Sections 171.003 and 171.1016, the rate of
10 the franchise tax is 0.2 [~~0.5~~] percent of taxable margin for those
11 taxable entities primarily engaged in retail or wholesale trade.

12 (b) This section applies only to a report originally due on
13 or after January 1, 2021.

14 SECTION 7. (a) Effective January 1, 2022, Sections
15 171.002(a) and (b), Tax Code, are amended to read as follows:

16 (a) Subject to Sections 171.003 and 171.1016 and except as
17 provided by Subsection (b), the rate of the franchise tax is 0.3
18 [~~one~~] percent of taxable margin.

19 (b) Subject to Sections 171.003 and 171.1016, the rate of
20 the franchise tax is 0.15 [~~0.5~~] percent of taxable margin for those
21 taxable entities primarily engaged in retail or wholesale trade.

22 (b) This section applies only to a report originally due on
23 or after January 1, 2022.

24 SECTION 8. (a) Effective January 1, 2023, Sections
25 171.002(a) and (b), Tax Code, are amended to read as follows:

26 (a) Subject to Sections 171.003 and 171.1016 and except as
27 provided by Subsection (b), the rate of the franchise tax is 0.2

1 ~~one~~ percent of taxable margin.

2 (b) Subject to Sections 171.003 and 171.1016, the rate of
3 the franchise tax is 0.1 ~~[0.5]~~ percent of taxable margin for those
4 taxable entities primarily engaged in retail or wholesale trade.

5 (b) This section applies only to a report originally due on
6 or after January 1, 2023.

7 SECTION 9. (a) Effective January 1, 2024, Sections
8 171.002(a) and (b), Tax Code, are amended to read as follows:

9 (a) Subject to Sections 171.003 and 171.1016 and except as
10 provided by Subsection (b), the rate of the franchise tax is 0.1
11 ~~one~~ percent of taxable margin.

12 (b) Subject to Sections 171.003 and 171.1016, the rate of
13 the franchise tax is 0.05 ~~[0.5]~~ percent of taxable margin for those
14 taxable entities primarily engaged in retail or wholesale trade.

15 (b) This section applies only to a report originally due on
16 or after January 1, 2024.

17 SECTION 10. (a) Effective January 1, 2016, Section
18 171.1016(b), Tax Code, is amended to read as follows:

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

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

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

27 (3) multiplying the amount computed under Subdivision

1 (2) by the rate of 0.518 [~~0.575~~] percent.

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

4 SECTION 11. (a) Effective January 1, 2017, Section
5 [171.1016](#)(b), Tax Code, is amended to read as follows:

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

9 (1) determining the taxable entity's total revenue
10 from its entire business, as determined under Section [171.1011](#);

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

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

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

18 SECTION 12. (a) Effective January 1, 2018, Section
19 [171.1016](#)(b), Tax Code, is amended to read as follows:

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

23 (1) determining the taxable entity's total revenue
24 from its entire business, as determined under Section [171.1011](#);

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

1 (3) multiplying the amount computed under Subdivision
2 (2) by the rate of 0.403 [~~0.575~~] percent.

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

5 SECTION 13. (a) Effective January 1, 2019, Section
6 [171.1016](#)(b), Tax Code, is amended to read as follows:

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

10 (1) determining the taxable entity's total revenue
11 from its entire business, as determined under Section [171.1011](#);

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

15 (3) multiplying the amount computed under Subdivision
16 (2) by the rate of 0.345 [~~0.575~~] percent.

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

19 SECTION 14. (a) Effective January 1, 2020, Section
20 [171.1016](#)(b), Tax Code, is amended to read as follows:

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

24 (1) determining the taxable entity's total revenue
25 from its entire business, as determined under Section [171.1011](#);

26 (2) apportioning the amount computed under
27 Subdivision (1) to this state, as provided by Section [171.106](#), to

1 determine the taxable entity's apportioned total revenue; and

2 (3) multiplying the amount computed under Subdivision
3 (2) by the rate of 0.288 [~~0.575~~] percent.

4 (b) This section applies only to a report originally due on
5 or after January 1, 2020.

6 SECTION 15. (a) Effective January 1, 2021, Section
7 [171.1016](#)(b), Tax Code, is amended to read as follows:

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

11 (1) determining the taxable entity's total revenue
12 from its entire business, as determined under Section [171.1011](#);

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

16 (3) multiplying the amount computed under Subdivision
17 (2) by the rate of 0.23 [~~0.575~~] percent.

18 (b) This section applies only to a report originally due on
19 or after January 1, 2021.

20 SECTION 16. (a) Effective January 1, 2022, Section
21 [171.1016](#)(b), Tax Code, is amended to read as follows:

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

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

27 (2) apportioning the amount computed under

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

3 (3) multiplying the amount computed under Subdivision
4 (2) by the rate of 0.173 [~~0.575~~] percent.

5 (b) This section applies only to a report originally due on
6 or after January 1, 2022.

7 SECTION 17. (a) Effective January 1, 2023, Section
8 171.1016(b), Tax Code, is amended to read as follows:

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

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

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

17 (3) multiplying the amount computed under Subdivision
18 (2) by the rate of 0.115 [~~0.575~~] percent.

19 (b) This section applies only to a report originally due on
20 or after January 1, 2023.

21 SECTION 18. (a) Effective January 1, 2024, 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 0.058 [~~0.575~~] percent.

6 (b) This section applies only to a report originally due on
7 or after January 1, 2024.

8 SECTION 19. (a) Chapter 171, Tax Code, is repealed.

9 (b) A taxable entity that is subject to the franchise tax
10 imposed under Chapter 171, Tax Code, on December 31, 2024, shall
11 file a final franchise tax report and pay a transitional tax as
12 required by this subsection on or before May 15, 2025. The
13 transitional tax is equal to the tax the taxable entity would have
14 paid in 2025 under Chapter 171, Tax Code, if Chapter 171, Tax Code,
15 had not been repealed. The provisions of Chapter 171, Tax Code,
16 relating to the computation and payment of the franchise tax remain
17 in effect after the repeal of Chapter 171, Tax Code, by this section
18 for the purposes of computing and paying the transitional tax
19 required by this subsection.

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

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

26 (1) the status of a taxable entity that has had its
27 corporate privileges, certificate of authority, certificate of

1 organization, certificate of limited partnership, corporate
2 charter, or registration revoked, suit filed against it, or a
3 receiver appointed under Subchapter F, G, or H of that chapter;

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

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

11 (e) This section takes effect January 1, 2025.

12 SECTION 20. Except as otherwise provided by this Act, this
13 Act applies only to a report originally due on or after the
14 effective date of this Act.

15 SECTION 21. Except as otherwise provided by this Act, this
16 Act takes effect January 1, 2016.