

By: Sheets

H.B. No. 2111

A BILL TO BE ENTITLED

AN ACT

relating to an exemption from the franchise tax and certain filing fees for certain businesses owned by veterans during an initial period of operation in the state.

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

SECTION 1. Section 171.0001(4), Tax Code, is amended to read as follows:

(4) "Beginning date" means:

(A) except as provided by Paragraph (B):

(i) for a taxable entity chartered or organized in this state, the date on which the taxable entity's charter or organization takes effect; and

(ii) ~~[(B)]~~ for any other taxable entity, the date on which the taxable entity begins doing business in this state; or

(B) for a taxable entity that qualifies as a new veteran-owned business as defined by Section 171.0005, the earlier of:

(i) the fifth anniversary of the date on which the taxable entity begins doing business in this state; or

(ii) the date the taxable entity ceases to qualify as a new veteran-owned business as defined by Section 171.0005.

SECTION 2. Subchapter A, Chapter 171, Tax Code, is amended

1 by adding Section 171.0005 to read as follows:

2 Sec. 171.0005. DEFINITION OF NEW VETERAN-OWNED BUSINESS.

3 (a) A taxable entity is a new veteran-owned business only if the
4 taxable entity is a new business in which each owner is a natural
5 person who:

6 (1) served in and was honorably discharged from a
7 branch of the United States armed forces; and

8 (2) provides verification to the comptroller of the
9 person's service and discharge required by Subdivision (1).

10 (b) The Texas Veterans Commission shall provide to a person
11 who meets the requirements of Subsection (a)(1) written
12 verification of that status in a form required by the comptroller.
13 The comptroller shall adopt rules prescribing the form and content
14 of the verification and the manner in which the verification may be
15 provided to the comptroller.

16 (c) For purposes of Subsection (a), a new business is a
17 taxable entity that:

18 (1) is chartered or organized or otherwise formed in
19 this state; and

20 (2) first begins doing business in this state on or
21 after September 1, 2015.

22 SECTION 3. Section 171.001, Tax Code, is amended by adding
23 Subsection (d) to read as follows:

24 (d) Notwithstanding Subsection (a), the tax imposed under
25 this chapter is not imposed on a taxable entity that qualifies as a
26 new veteran-owned business as defined by Section 171.0005 until the
27 earlier of:

1 (1) the fifth anniversary of the date on which the
2 taxable entity begins doing business in this state; or

3 (2) the date the taxable entity ceases to qualify as a
4 new veteran-owned business as defined by Section 171.0005.

5 SECTION 4. Section 171.063(g), Tax Code, is amended to read
6 as follows:

7 (g) If a corporation's federal tax exemption is withdrawn by
8 the Internal Revenue Service for failure of the corporation to
9 qualify or maintain its qualification for the exemption, the
10 corporation's exemption under this section ends on the effective
11 date of that withdrawal by the Internal Revenue Service. The
12 effective date of the withdrawal is considered the corporation's
13 beginning date for purposes of determining the corporation's
14 privilege periods and for all other purposes of this chapter,
15 except that if the corporation would have been subject to Section
16 171.001(d) in the absence of the federal tax exemption, and the
17 effective date of the withdrawal is a date earlier than the date the
18 corporation would have become subject to the franchise tax as
19 provided by Section 171.001(d), the date the corporation would have
20 become subject to the franchise tax under that section is
21 considered the corporation's beginning date for those purposes.

22 SECTION 5. Section 171.204, Tax Code, is amended by adding
23 Subsection (d) to read as follows:

24 (d) The comptroller may require a taxable entity on which
25 the tax imposed under this chapter is not imposed solely because of
26 the application of Section 171.001(d) to file an information report
27 stating the taxable entity's beginning date as determined under

1 Section 171.0001(4)(B) and any other information the comptroller
2 determines necessary. The comptroller may not require the taxable
3 entity to report or compute its margin.

4 SECTION 6. Subchapter A, Chapter 12, Business Organizations
5 Code, is amended by adding Section 12.005 to read as follows:

6 Sec. 12.005. FEE WAIVER FOR NEW VETERAN-OWNED BUSINESS.

7 The secretary of state shall waive all fees imposed under
8 Subchapter D, Chapter 4, for an entity that is a new veteran-owned
9 business as defined by Section 171.0005, Tax Code, until the
10 earlier of:

11 (1) the fifth anniversary of the date on which the
12 entity was formed; or

13 (2) the date the entity ceases to qualify as a new
14 veteran-owned business as defined by Section 171.0005, Tax Code.

15 SECTION 7. This Act takes effect September 1, 2015.