

By: Nelson, et al.

S.B. No. 7

A BILL TO BE ENTITLED

AN ACT

relating to the computation of and to decreasing the rates of the franchise tax.

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

SECTION 1. (a) TITLE. This Act shall be known as the Franchise Tax Repeal Act of 2015.

(b) PURPOSE AND FINDINGS. The legislature finds that the tax imposed by Texas Tax Code Chapter 171 has not provided sufficient reliability for property tax relief. It is the intent of the legislature to promote economic growth by repealing the franchise tax.

SECTION 2. 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 0.85 ~~one~~ percent of taxable margin.

(b) Subject to Sections 171.003 and 171.1016, the rate of the franchise tax is 0.425 ~~0.5~~ percent of taxable margin for those taxable entities primarily engaged in retail or wholesale trade.

SECTION 3. Sections 171.1016(a) and (b), Tax Code, are amended to read as follows:

(a) Notwithstanding any other provision of this chapter, a taxable entity whose total revenue from its entire business is not more than \$20 ~~\$10~~ million may elect to pay the tax imposed under

1 this chapter in the amount computed and at the rate provided by this
2 section rather than in the amount computed and at the tax rate
3 provided by Section 171.002.

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

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

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

12 (3) multiplying the amount computed under Subdivision
13 (2) by the rate of 0.331 [~~0.575~~] percent.

14 SECTION 4. This Act applies only to a report originally due
15 on or after the effective date of this Act.

16 SECTION 5. The comptroller of public accounts shall conduct
17 a comprehensive study, no later than September 30th, 2016, to
18 identify the effects of economic growth on future state revenues.
19 The results of the study shall be reported to the governor and the
20 Legislative Budget Board. The report should identify revenue
21 growth allocation options to promote efficiency and sustainability
22 in meeting the revenue needs of this state, including revenues
23 allocated by Tax Code 171.4011, upon repeal of the franchise tax.

24 SECTION 6. This Act takes effect January 1, 2016.