

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. Effective January 1, 2020, Section 171.0001(4),

1 Tax Code, is amended to read as follows:

2 (4) "Beginning date" means:

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

6 (B) for any other taxable entity, the date on  
7 which the taxable entity begins doing business in this state.

8 SECTION 3. Subchapter A, Chapter 171, Tax Code, is amended  
9 by adding Section 171.0005 to read as follows:

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

11 (a) A taxable entity is a new veteran-owned business only if the  
12 taxable entity is a new business in which each owner is a natural  
13 person who:

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

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

18 (b) The Texas Veterans Commission shall provide to a person  
19 who meets the requirements of Subsection (a)(1) written  
20 verification of that status in a form required by the comptroller.  
21 The comptroller shall adopt rules prescribing the form and content  
22 of the verification and the manner in which the verification may be  
23 provided to the comptroller.

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

26 (1) is chartered or organized or otherwise formed in  
27 this state; and

1           (2) first begins doing business in this state on or  
2 after January 1, 2016.

3           SECTION 4. Section 171.001, Tax Code, is amended by adding  
4 Subsection (d) to read as follows:

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

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

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

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

15           (g) If a corporation's federal tax exemption is withdrawn by  
16 the Internal Revenue Service for failure of the corporation to  
17 qualify or maintain its qualification for the exemption, the  
18 corporation's exemption under this section ends on the effective  
19 date of that withdrawal by the Internal Revenue Service. The  
20 effective date of the withdrawal is considered the corporation's  
21 beginning date for purposes of determining the corporation's  
22 privilege periods and for all other purposes of this chapter,  
23 except that if the corporation would have been subject to Section  
24 171.001(d) in the absence of the federal tax exemption, and the  
25 effective date of the withdrawal is a date earlier than the date the  
26 corporation would have become subject to the franchise tax as  
27 provided by Section 171.001(d), the date the corporation would have

1 become subject to the franchise tax under that section is  
2 considered the corporation's beginning date for those purposes.

3 SECTION 6. Effective January 1, 2020, Section 171.063(g),  
4 Tax Code, is amended to read as follows:

5 (g) If a corporation's federal tax exemption is withdrawn by  
6 the Internal Revenue Service for failure of the corporation to  
7 qualify or maintain its qualification for the exemption, the  
8 corporation's exemption under this section ends on the effective  
9 date of that withdrawal by the Internal Revenue Service. The  
10 effective date of the withdrawal is considered the corporation's  
11 beginning date for purposes of determining the corporation's  
12 privilege periods and for all other purposes of this chapter.

13 SECTION 7. Section 171.204, Tax Code, is amended by adding  
14 Subsection (d) to read as follows:

15 (d) The comptroller may require a taxable entity on which  
16 the tax imposed under this chapter is not imposed solely because of  
17 the application of Section 171.001(d) to file an information report  
18 stating the taxable entity's beginning date as determined under  
19 Section 171.0001(4)(B) and any other information the comptroller  
20 determines necessary. The comptroller may not require the taxable  
21 entity to report or compute its margin.

22 SECTION 8. Subchapter A, Chapter 12, Business Organizations  
23 Code, is amended by adding Section 12.005 to read as follows:

24 Sec. 12.005. FEE WAIVER FOR NEW VETERAN-OWNED BUSINESS.  
25 The secretary of state shall waive all fees imposed under  
26 Subchapter D, Chapter 4, for an entity that is a new veteran-owned  
27 business as defined by Section 171.0005, Tax Code, until the

1 earlier of:

2 (1) the fifth anniversary of the date on which the  
3 entity was formed; or

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

6 SECTION 9. Effective January 1, 2020, the following  
7 sections are repealed:

8 (1) Section 171.0005, Tax Code;

9 (2) Section 171.001(d), Tax Code;

10 (3) Section 171.204(d), Tax Code; and

11 (4) Section 12.005, Business Organizations Code.

12 SECTION 10. The changes in law made by this Act that take  
13 effect January 1, 2020, do not apply to a business that first  
14 qualifies before that date as a new veteran-owned business as  
15 defined by Section 171.0005, Tax Code, as that section exists  
16 immediately before that date. A business that first qualifies  
17 before January 1, 2020, as a new veteran-owned business is governed  
18 by the law in effect immediately before that date, and that law is  
19 continued in effect for that purpose.

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

\_\_\_\_\_  
President of the Senate

\_\_\_\_\_  
Speaker of the House

I hereby certify that S.B. No. 1049 passed the Senate on May 4, 2015, by the following vote: Yeas 27, Nays 4.

\_\_\_\_\_  
Secretary of the Senate

I hereby certify that S.B. No. 1049 passed the House on May 26, 2015, by the following vote: Yeas 123, Nays 17, two present not voting.

\_\_\_\_\_  
Chief Clerk of the House

Approved:

\_\_\_\_\_  
Date

\_\_\_\_\_  
Governor