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| BILL ANALYSIS |

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| H.B. 3345 |
| By: Springer |
| Ways & Means |
| Committee Report (Unamended) |

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| **BACKGROUND AND PURPOSE**  Concerns have been raised regarding reports that some businesses have taken advantage of the current franchise tax system by creating entire entities whose revenues are based on interest from loans dispersed to the public, thus freeing the entity from franchise tax liability. H.B. 3345 seeks to eliminate such a possibility by making a clarification with regard to the classification of passive entities for purposes of the franchise tax. |
| **CRIMINAL JUSTICE IMPACT**  It is the committee's opinion that this bill does not expressly create a criminal offense, increase the punishment for an existing criminal offense or category of offenses, or change the eligibility of a person for community supervision, parole, or mandatory supervision. |
| **RULEMAKING AUTHORITY**  It is the committee's opinion that this bill does not expressly grant any additional rulemaking authority to a state officer, department, agency, or institution. |
| **ANALYSIS**  H.B. 3345 amends the Tax Code, with regard to an entity's classification as a passive entity for purposes of franchise tax liability on the basis of the entity being a general or limited partnership or a trust, the entity's federal gross income consisting of at least 90 percent of certain specified income during the period on which taxable margin is based, and the entity not receiving more than 10 percent of its federal gross income from conducting an active trade or business, to exclude from that specified income interest income by a person in the business of making loans to the general public. |
| **EFFECTIVE DATE**  September 1, 2017. |