

By: Shaheen

H.B. No. 1095

A BILL TO BE ENTITLED

1 AN ACT

2 relating to the phaseout and repeal of the franchise tax; lowering
3 the rates of the tax.

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

5 SECTION 1. (a) Effective January 1, 2018, Sections
6 171.002(a) and (b), Tax Code, are amended to read as follows:

7 (a) Subject to Sections 171.003 and 171.1016 and except as
8 provided by Subsection (b), the rate of the franchise tax is 0.5
9 [~~0.75~~] percent of taxable margin.

10 (b) Subject to Sections 171.003 and 171.1016, the rate of
11 the franchise tax is 0.25 [~~0.375~~] percent of taxable margin for
12 those taxable entities primarily engaged in retail or wholesale
13 trade.

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

16 SECTION 2. (a) Effective January 1, 2019, Sections
17 171.002(a) and (b), Tax Code, are amended to read as follows:

18 (a) Subject to Sections 171.003 and 171.1016 and except as
19 provided by Subsection (b), the rate of the franchise tax is 0.25
20 [~~0.75~~] percent of taxable margin.

21 (b) Subject to Sections 171.003 and 171.1016, the rate of
22 the franchise tax is 0.125 [~~0.375~~] percent of taxable margin for
23 those taxable entities primarily engaged in retail or wholesale
24 trade.

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

3 SECTION 3. (a) Effective January 1, 2018, Section
4 [171.1016\(b\)](#), Tax Code, is amended to read as follows:

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

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

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

13 (3) multiplying the amount computed under Subdivision
14 (2) by the rate of 0.22 [~~0.331~~] percent.

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

17 SECTION 4. (a) Effective January 1, 2019, 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 0.11 [~~0.331~~] percent.

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

4 SECTION 5. (a) Chapter 171, Tax Code, is repealed.

5 (b) A taxable entity that is subject to the franchise tax
6 imposed under Chapter 171, Tax Code, on December 31, 2019, shall
7 file a final franchise tax report and pay a transitional tax as
8 required by this subsection on or before May 15, 2020. The
9 transitional tax is equal to the tax the taxable entity would have
10 paid in 2020 under Chapter 171, Tax Code, if Chapter 171, Tax Code,
11 had not been repealed. The provisions of Chapter 171, Tax Code,
12 relating to the computation and payment of the franchise tax and the
13 filing of a franchise tax report that are in effect on December 31,
14 2019, remain in effect after the repeal of Chapter 171, Tax Code, by
15 this section for the purposes of computing and paying the
16 transitional tax and filing a franchise tax report as required by
17 this subsection.

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

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

24 (1) the status of a taxable entity that has had its
25 corporate privileges, certificate of authority, certificate of
26 organization, certificate of limited partnership, corporate
27 charter, or registration revoked, suit filed against it, or a

1 receiver appointed under Subchapter F, G, or H of that chapter;

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

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

9 (e) This section takes effect January 1, 2020.

10 SECTION 6. Except as otherwise provided by this Act, this
11 Act applies only to a report originally due on or after the
12 effective date of this Act.

13 SECTION 7. Except as otherwise provided by this Act, this
14 Act takes effect January 1, 2018.