By: Springer

H.B. No. 1613

A BILL TO BE ENTITLED

1 AN ACT

2 relating to adjustment of the rates of the franchise tax; providing

3 for decreases in tax rates.

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

5   SECTION 1.   Sections 171.002(a) and (b), Tax Code, are

6 amended to read as follows:

7   (a) Subject to Sections 171.003, 171.004, and 171.1016 and

8 except as provided by Subsection (b), the rate of the franchise tax

9 is 0.75 percent of taxable margin.

10   (b) Subject to Sections 171.003, 171.004, and 171.1016, the

11 rate of the franchise tax is 0.375 percent of taxable margin for

12 those taxable entities primarily engaged in retail or wholesale

13 trade.

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

15 by adding Section 171.004 to read as follows:

16   Sec. 171.004.   ADJUSTMENT OF TAX RATES.   (a)   Beginning in

17 2018, on January 1 of each year of a biennium for which the

18 comptroller's most recent certification estimate projects state

19 tax revenues not dedicated by the constitution for that biennium

20 will exceed the limit on appropriations in effect for the current

21 biennium under Section 22(a), Article VIII, Texas Constitution:

22   (1)   the rate of the franchise tax under Section

23 171.002(a) is adjusted by subtracting 0.15 from the rate in effect

24 on December 31 of the previous year;

1   (2) the rate of the franchise tax under Section

2 171.002(b) is adjusted by subtracting 0.075 from the rate in effect

3 on December 31 of the previous year; and

4   (3) the rate of the franchise tax under Section

5 171.1016(b)(3) is adjusted by subtracting 0.0662 from the rate in

6 effect on December 31 of the previous year.

7   (b) The tax rates determined under Subsection (a) apply to a

8 report originally due on or after the date the determination is

9 made.

10   (c) Notwithstanding Subsection (a), if an adjustment

11 otherwise required by Subsection (a) would reduce a rate of the

12 franchise tax to less than zero, the rate is instead reduced to

13 zero.

14   (d) Notwithstanding any other law, if the rates of the

15 franchise tax are reduced to zero under Subsection (a) or (c), a

16 taxable entity does not owe any tax and is not required to file a

17 report that would otherwise be originally due on or after the date

18 the rates are reduced to zero.

19   (e) The comptroller shall make the determination required

20 by Subsection (a) and may adopt rules related to making that

21 determination. The comptroller shall publish the franchise tax

22 rates determined under this section in the Texas Register and on the

23 comptroller's Internet website not later than January 15 of each

24 year.

25   (f) A determination by the comptroller under this section is

26 final and may not be appealed.

27   SECTION 3. Sections 171.1016(b) and (e), Tax Code, are

1 amended to read as follows:

2   (b) The amount of the tax for which a taxable entity that

3 elects to pay the tax as provided by this section is liable is

4 computed by:

5   (1) determining the taxable entity's total revenue

6 from its entire business, as determined under Section 171.1011;

7   (2) apportioning   the   amount   computed   under

8 Subdivision (1) to this state, as provided by Section 171.106, to

9 determine the taxable entity's apportioned total revenue; and

10   (3) multiplying the amount computed under Subdivision

11 (2) by the rate of 0.331 percent or, if applicable, an adjusted tax

12 rate adopted by the comptroller under Section 171.004.

13   (e) A reference in this chapter or other law to the rate of

14 the franchise tax means, as appropriate:

15   (1) [,] the rate under Section 171.002 or, for a

16 taxable entity that elects to pay the tax as provided by this

17 section, the rate under this section; or

18   (2) the adjusted rates under Section 171.004.

19   SECTION 4. This Act applies only to a report originally due

20 on or after the effective date of this Act.

21   SECTION 5. This Act takes effect January 1, 2018.