86R6531 GRM-D

By:  Blanco H.B. No. 1923

A BILL TO BE ENTITLED

AN ACT

relating to the 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.  Effective January 1, 2022, 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

(B) [~~(ii)~~] 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.  Section 171.0005(a), Tax Code, is amended to read as follows:

(a)  A taxable entity is a new veteran-owned business only if the taxable entity is a new business, at least 51 percent of which is owned by one or more natural persons, and each of whom [~~in which each owner is a natural person who~~]:

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

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

SECTION 3.  Effective January 1, 2022, Section 171.063(g), Tax Code, is amended to read as follows:

(g)  If a corporation's federal tax exemption is withdrawn by the Internal Revenue Service for failure of the corporation to qualify or maintain its qualification for the exemption, the corporation's exemption under this section ends on the effective date of that withdrawal by the Internal Revenue Service. The effective date of the withdrawal is considered the corporation's beginning date for purposes of determining the corporation's privilege periods and for all other purposes of this chapter[~~, except that if the corporation would have been subject to Section 171.001(d) in the absence of the federal tax exemption, and the effective date of the withdrawal is a date earlier than the date the corporation would have become subject to the franchise tax as provided by Section 171.001(d), the date the corporation would have become subject to the franchise tax under that section is considered the corporation's beginning date for those purposes~~].

SECTION 4.  Effective January 1, 2022, the following sections are repealed:

(1)  Section 171.0005, Tax Code, as amended by this Act;

(2)  Section 171.001(d), Tax Code;

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

(4)  Section 12.005, Business Organizations Code.

SECTION 5.  The following provisions of Chapter 329 (S.B. 1049), Acts of the 84th Legislature, Regular Session, 2015, are repealed:

(1)  Section 2, which amended Section 171.0001(4), Tax Code, effective January 1, 2020;

(2)  Section 6, which amended Section 171.063(g), Tax Code, effective January 1, 2020;

(3)  Section 9, which provided for the repeal of certain laws effective January 1, 2020; and

(4)  Section 10, which provided a transition provision.

SECTION 6.  The changes in law made by this Act that take effect January 1, 2022, do not apply to a business that first qualifies before that date as a new veteran-owned business as defined by Section 171.0005, Tax Code, as that section exists immediately before that date. A business that first qualifies before January 1, 2022, as a new veteran-owned business is governed by the law in effect immediately before that date, and that law is continued in effect for that purpose.

SECTION 7.  Except as otherwise provided by this Act, this Act takes effect September 1, 2019.