

By: Blanco, Guillen

H.B. No. 1923

A BILL TO BE ENTITLED

AN ACT

1
2 relating to the exemption from the franchise tax and certain filing
3 fees for certain businesses owned by veterans during an initial
4 period of operation in the state.

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

6 SECTION 1. Effective January 1, 2022, Section 171.0001(4),
7 Tax Code, is amended to read as follows:

8 (4) "Beginning date" means:

9 (A) ~~[except as provided by Paragraph (B):~~

10 ~~[(i)]~~ for a taxable entity chartered or
11 organized in this state, the date on which the taxable entity's
12 charter or organization takes effect; and

13 (B) ~~[(ii)]~~ for any other taxable entity, the date
14 on which the taxable entity begins doing business in this state~~[, or~~

15 ~~[(B) for a taxable entity that qualifies as a new~~
16 ~~veteran-owned business as defined by Section 171.0005, the earlier~~
17 ~~of:~~

18 ~~[(i) the fifth anniversary of the date on~~
19 ~~which the taxable entity begins doing business in this state, or~~

20 ~~[(ii) the date the taxable entity ceases to~~
21 ~~qualify as a new veteran-owned business as defined by Section~~
22 ~~171.0005].~~

23 SECTION 2. Section 171.0005(a), Tax Code, is amended to
24 read as follows:

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

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

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

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

11 (g) If a corporation's federal tax exemption is withdrawn by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

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

- 1 (1) Section 171.0005, Tax Code, as amended by this
2 Act;
- 3 (2) Section 171.001(d), Tax Code;
- 4 (3) Section 171.204(d), Tax Code; and
- 5 (4) Section 12.005, Business Organizations Code.

6 SECTION 5. The following provisions of Chapter 329 (S.B.
7 1049), Acts of the 84th Legislature, Regular Session, 2015, are
8 repealed:

- 9 (1) Section 2, which amended Section 171.0001(4), Tax
10 Code, effective January 1, 2020;
- 11 (2) Section 6, which amended Section 171.063(g), Tax
12 Code, effective January 1, 2020;
- 13 (3) Section 9, which provided for the repeal of
14 certain laws effective January 1, 2020; and
- 15 (4) Section 10, which provided a transition provision.

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

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