

BILL ANALYSIS

S.B. 3
By: Bettencourt
Ways & Means
Committee Report (Unamended)

BACKGROUND AND PURPOSE

According to the U.S. Small Business Administration, Texas is home to more than 3 million small businesses employing more than 44 percent of Texas employees. According to the comptroller of public accounts, the current total revenue exemption, or amount of total revenue below which a business does not owe franchise tax, is \$1.23 million. Current law requires taxable entities that do not owe any franchise tax due to the total revenue exemption to file a no tax due information report with the comptroller, placing an unnecessary administrative burden on the state's small business owners.

S.B. 3 seeks to reduce the franchise tax burden by:

- increasing to \$2.47 million the amount of the total revenue exemption for the franchise tax, thereby increasing the number of small businesses exempt from paying franchise taxes; and
- eliminating the requirement for a taxable entity that does not owe any franchise tax because of the total revenue exemption to file an information report with the comptroller, thereby reducing the administrative burden on the state's small business owners.

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

S.B. 3 amends the Tax Code to increase the amount of the total revenue exemption for the franchise tax from \$1 million to \$2.47 million. The bill removes the authorization for the comptroller of public accounts to require an entity that qualifies for the total revenue exemption to file an abbreviated information report stating the amount of the entity's total revenue from its entire business and expressly prohibits the comptroller from requiring such an entity to file any type of franchise tax information report.

S.B. 3 repeals a provision authorizing the comptroller to require a taxable entity on which the franchise tax is not imposed solely because the entity qualifies for an exemption as a new veteran-owned business to file an information report stating the entity's beginning date and any other information the comptroller determines necessary, other than the entity's taxable margin.

S.B. 3 applies only to a franchise tax report originally due on or after January 1, 2024, and takes effect only if S.B. 2 or similar legislation of the 88th Legislature, 2nd Called Session, 2023,

relating to providing property tax relief through the public school finance system, exemptions, limitations on appraisals and taxes, and property tax administration becomes law. The bill has no effect if such legislation does not become law.

S.B. 3 repeals 171.204(d), Tax Code.

EFFECTIVE DATE

Except as otherwise provided, January 1, 2024.