

BILL ANALYSIS

Senate Research Center
88S20218 BEF-D

S.B. 3
By: Bettencourt
Finance
7/11/2023
As Filed

AUTHOR'S / SPONSOR'S STATEMENT OF INTENT

S.B. 3 will double the amount of a taxable entity's total revenue that is exempted from the franchise tax from \$1.235 million to \$2.47 million, which will remove 67,000 small to medium-sized business from paying the franchise tax.

Additionally, S.B. 3 eliminates the requirement for a taxable entity that does not owe any franchise tax to file a No-Tax-Due franchise tax return, which will save businesses time and money associated with preparing returns.

S.B. 3 contains provisions making the bill's passage contingent upon the passage of S.B. 2, or similar legislation relating to providing property tax relief through the public school finance system, exemptions, limitations on appraisals and taxes, and property tax administration.

As proposed, S.B. 3 amends current law relating to the amount of the total revenue exemption for the franchise tax and the exclusion of certain taxable entities from the requirement to file a franchise tax report.

RULEMAKING AUTHORITY

This bill does not expressly grant any additional rulemaking authority to a state officer, institution, or agency.

SECTION BY SECTION ANALYSIS

SECTION 1. Amends Section 171.002(d), Tax Code, as follows:

(d) Provides that a taxable entity is not required to pay any tax and is not considered to owe any tax for a period if:

(1) makes no changes to this subdivision; or

(2) the amount of the taxable entity's total revenue from its entire business is less than or equal to \$2.47 million, rather than \$1 million, or the amount determined under Section 171.006 (Adjustment of Eligibility for No Tax Due, Discounts, and Compensation Deduction) per 12-month period on which margin is based.

SECTION 2. Amends Section 171.204(b), Tax Code, as follows:

(b) Prohibits the Comptroller of Public Accounts of the State of Texas (comptroller) from requiring a taxable entity that does not owe any tax because of the application of Section 171.002(d)(2) to file an information report with the comptroller. Deletes existing text authorizing the comptroller to require a taxable entity that does not owe any tax because of the application of Section 171.002(d)(2) to file an abbreviated information report with the comptroller stating the amount of the taxable entity's total revenue from its entire business. Deletes existing text prohibiting the comptroller from requiring an entity described by this subsection to file an information report that requires the taxable entity to report or compute its margin.

SECTION 3. Repealer: Section 171.204(d) (relating to authorizing the comptroller to require a taxable entity to file an information report stating the taxable entity's beginning date and any other information the comptroller determines necessary and prohibiting the comptroller from requiring the taxable entity to report or compute its margin), Tax Code.

SECTION 4. Provides that the changes in law made by this Act apply only to a report originally due on or after January 1, 2024.

SECTION 5. Provides that this Act 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 in a manner described by Section 2001.006(a)(2) (relating to providing that legislation is considered to have "become law" if it has been passed by the legislature and meets certain criteria), Government Code. Provides that if legislation described by this section does not become law in a manner described by Section 2001.006(a)(2), Government Code, this Act has no effect.

SECTION 6. Effective date, except as otherwise provided by this Act: January 1, 2024.