88R4553 SRA-D

By:  Landgraf H.B. No. 2213

A BILL TO BE ENTITLED

AN ACT

relating to lowering the rates of and repealing the franchise tax.

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

SECTION 1.  (a) Effective January 1, 2024, Sections 171.002(a) and (b), Tax Code, are amended to read as follows:

(a)  Subject to Sections 171.003 and 171.1016 and except as provided by Subsection (b), the rate of the franchise tax is 0.375 [~~0.75~~] percent of taxable margin.

(b)  Subject to Sections 171.003 and 171.1016, the rate of the franchise tax is 0.188 [~~0.375~~] percent of taxable margin for those taxable entities primarily engaged in retail or wholesale trade.

(b)  Effective January 1, 2024, Section 171.1016(b), Tax Code, is amended to read as follows:

(b)  The amount of the tax for which a taxable entity that elects to pay the tax as provided by this section is liable is computed by:

(1)  determining the taxable entity's total revenue from its entire business, as determined under Section 171.1011;

(2)  apportioning the amount computed under Subdivision (1) to this state, as provided by Section 171.106, to determine the taxable entity's apportioned total revenue; and

(3)  multiplying the amount computed under Subdivision (2) by the rate of 0.166 [~~0.331~~] percent.

(c)  This section applies only to a report originally due on or after January 1, 2024.

SECTION 2.  (a) Effective January 1, 2025, Chapter 171, Tax Code, is repealed.

(b)  A taxable entity that is subject to the franchise tax imposed under Chapter 171, Tax Code, on December 31, 2024, is not required to file a franchise tax report or pay a tax on the taxable entity's taxable margin for the period ending on that date.

(c)  Chapter 171, Tax Code, as that chapter existed immediately before its repeal by this Act, and Subtitle B, Title 2, Tax Code, continue to apply to audits, deficiencies, redeterminations, and refunds of any tax due or collected under Chapter 171 until barred by limitations.

(d)  The repeal of Chapter 171, Tax Code, does not affect:

(1)  the status of a taxable entity that has had its corporate privileges, certificate of authority, certificate of organization, certificate of limited partnership, corporate charter, or registration revoked, a suit filed against it, or a receiver appointed under Subchapter F, G, or H of that chapter;

(2)  the ability of the comptroller of public accounts, secretary of state, or attorney general to take action against a taxable entity under Subchapter F, G, or H of that chapter for actions that took place before the repeal; or

(3)  the right of a taxable entity to contest a forfeiture, revocation, lawsuit, or appointment of a receiver under Subchapter F, G, or H of that chapter.

SECTION 3.  This Act takes effect January 1, 2024.