

By: Schwertner

S.B. No. 1061

A BILL TO BE ENTITLED

AN ACT

relating to the computation of and total revenue exemption for the franchise tax.

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

SECTION 1. Section 171.002(d), Tax Code, is amended to read as follows:

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

(1) the amount of tax computed for the taxable entity is less than \$1,000; or

(2) the amount of the taxable entity's total revenue from its entire business is less than or equal to \$2 [~~\$1~~] million or the amount determined under Section 171.006 per 12-month period on which margin is based.

SECTION 2. Sections 171.101(a) and (b), Tax Code, are amended to read as follows:

(a) The taxable margin of a taxable entity is computed by:

(1) determining the taxable entity's margin, which is the lesser of:

(A) the amount provided by this paragraph, which is the lesser of:

(i) 70 percent of the taxable entity's total revenue from its entire business, as determined under Section 171.1011; or

(ii) an amount equal to the taxable entity's total revenue from its entire business as determined under Section 171.1011 minus \$2 [~~\$1~~] million; or

(B) an amount computed by determining the taxable entity's total revenue from its entire business under Section 171.1011 and subtracting the greater of:

(i) \$2 [~~\$1~~] million; or

(ii) an amount equal to the sum of:

(a) at the election of the taxable entity, either:

(1) cost of goods sold, as determined under Section 171.1012; or

(2) compensation, as determined under Section 171.1013; and

(b) any compensation, as determined under Section 171.1013, paid to an individual during the period the individual is serving on active duty as a member of the armed forces of the United States if the individual is a resident of this state at the time the individual is ordered to active duty and the cost of training a replacement for the individual;

(2) apportioning the taxable entity's margin to this state as provided by Section 171.106 to determine the taxable entity's apportioned margin; and

(3) subtracting from the amount computed under Subdivision (2) any other allowable deductions to determine the taxable entity's taxable margin.

(b) Notwithstanding Subsection (a)(1)(B)(ii)(a), a

1 professional employer organization may subtract only the greater of
2 \$2 [~~\$1~~] million as provided by Subsection (a)(1)(B)(i) or
3 compensation as determined under Section 171.1013.

4 SECTION 3. Section 171.1014(d), Tax Code, is amended to
5 read as follows:

6 (d) For purposes of Section 171.101, a combined group shall
7 make an election to subtract either cost of goods sold or
8 compensation that applies to all of its members, or \$2 [~~\$1~~]
9 million. Regardless of the election, the taxable margin of the
10 combined group may not exceed the amount provided by Section
11 171.101(a)(1)(A) for the combined group.

12 SECTION 4. This Act applies only to a report originally due
13 on or after January 1, 2024.

14 SECTION 5. This Act takes effect January 1, 2024.