

BILL ANALYSIS

Senate Research Center

C.S.S.B. 7
By: Nelson et al.
Finance
3/17/2015
Committee Report (Substituted)

AUTHOR'S / SPONSOR'S STATEMENT OF INTENT

The franchise tax is computed at a rate of one percent taxable margin for most taxpayers and 0.5 percent of taxable margin for retailers and wholesalers. H.B. 500, 83rd Legislature, Regular Session, 2013, reduced the tax rate to 0.95 percent for most taxpayers and 0.475 percent for retailers and wholesalers. However, these provisions expire on December 31, 2015.

C.S.S.B. 7 reduces the franchise tax rate to 0.85 percent for most taxpayers and 0.425 percent for retailers and wholesalers, and makes those rate reductions permanent.

C.S.S.B. 7 amends current law relating to the computation of and to decreasing the rates of the franchise tax.

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 Sections 171.002(a) and (b), Tax Code, as follows:

(a) Provides that, subject to Sections 171.003 (Increase in Rate Requires Voter Approval) and 171.1016 (E-Z Computation and Rate), and except as provided by Subsection (b), the rate of the franchise tax is 0.85 percent, rather than one percent, of taxable margin.

(b) Provides that, subject to Sections 171.003 and 171.1016, the rate of the franchise tax is 0.425 percent, rather than 0.5 percent, of taxable margin for those taxable entities primarily engaged in retail or wholesale trade.

SECTION 2. Amends Sections 171.1016(a) and (b), Tax Code, as follows:

(a) Authorizes a taxable entity whose total revenue from its entire business is not more than \$20 million, rather than \$10 million, notwithstanding any other provisions of this chapter, to elect to pay the tax imposed under this chapter in the amount computed and at the rate provided by this section rather than in the amount computed and at the tax rate provided by Section 171.002 (Rates; Computation of Tax).

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

(1) and (2) Makes no change to these subdivisions;

(3) multiplying the amount computed under Subdivision (2) by the rate of 0.331 percent, rather than 0.575 percent.

SECTION 3. Provides that this Act applies only to a report originally due on or after the effective date of this Act.

SECTION 4. Effective date: January 1, 2016.