

BILL ANALYSIS

Senate Research Center
84R11696 TJB-D

S.B. 8
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Finance
2/26/2015
As Filed

AUTHOR'S / SPONSOR'S STATEMENT OF INTENT

The current structure of the franchise tax exempts \$1 million from a taxable entity's total revenue. While this exemption is beneficial to the state's especially small businesses, there are many additional small businesses that have total revenue of more than \$1 million. These small businesses find the franchise tax difficult to calculate and are liable for the tax even if operating at a loss. Accordingly, the state's current total revenue exemption is burdensome to small businesses, impedes growth, and discourages Texans from starting businesses that contribute to our economy.

S.B. 8, also known as the Small Business Tax Relief Act, exempts all businesses with \$4 million or less in total annual revenue from the franchise tax. According to estimates by the Office of the Comptroller of Public Accounts of the State of Texas, had this exemption been in effect in 2013, it would have amounted to a \$380 million tax cut and eliminated the franchise tax burden for 61,000 of the 117,000 businesses subject to franchise taxation. The Small Business Tax Relief Act will exempt 52 percent of businesses subject to the franchise tax, while decreasing franchise tax collections by less than percent.

As proposed, S.B. 8 amends current law relating to the total revenue exemption for 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 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 change to this subdivision;

(2) the amount of the taxable entity's total revenue from its entire business is less than or equal to \$4 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. Provides that this Act applies only to a report originally due on or after the effective date of this Act.

SECTION 3. Effective date: January 1, 2016.