

**SUBJECT:** Classifying uniform rental as retail trade for franchise tax purposes

**COMMITTEE:** Ways and Means — favorable, without amendment

**VOTE:** 8 ayes — Burrows, Guillen, Bohac, Murphy, Noble, E. Rodriguez,  
Shaheen, Wray

0 nays

3 absent — Cole, Martinez Fischer, Sanford

**WITNESSES:** None

**BACKGROUND:** Tax Code sec. 171.0001(12) defines retail trade for the purposes of the franchise tax to include several activities oriented around the rental of goods, including apparel rental, tool rental, furniture rental, heavy construction rental, and party and event supplying.

Tax Code sec. 171.0002 establishes the franchise tax at 0.375 percent of taxable margin for those taxable entities primarily engaged in retail or wholesale trade and 0.75 percent of taxable margin otherwise.

**DIGEST:** HB 1089 would expand the definition of retail trade for the purposes of the franchise tax to include activities involving the rental of industrial uniforms, industrial garments, and industrial linen supplies.

The bill would take effect on January 1, 2021, and would apply only to a report originally due on or after the effective date.