

## **BILL ANALYSIS**

Senate Research Center  
83R30036 CJC-D

C.S.H.B. 500  
By: Hilderbran et al. (Hegar)  
Finance  
5/17/2013  
Committee Report (Substituted)

### **AUTHOR'S / SPONSOR'S STATEMENT OF INTENT**

C.S.H.B. 500 amends current law relating to the \$1 million total revenue exemption for the franchise tax, and temporarily decreases 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 Subchapter A, Chapter 171, Tax Code, by adding Section 171.0022, as follows:

Sec. 171.0022. TEMPORARY PERMISSIVE ALTERNATE RATES. (a) Authorizes a taxable entity, notwithstanding Section 171.002(a) and subject to Section 171.1016 and Subsection (b) of this section, to elect to pay the tax imposed under this chapter at a rate of 0.95 percent of taxable margin.

(b) Authorizes a taxable entity primarily engaged in retail or wholesale trade as defined by Sections 171.002(c) (relating to providing that a taxable entity is primarily engaged in retail or wholesale trade if certain conditions are met) and (c-1) (relating to providing that Subsection (c)(2) does not apply to total revenue from activities in a retail trade described by Major Group 58 of the Standard Industrial Classification Manual published by the federal Office of Management and Budget), notwithstanding Section 171.002(b) (relating to providing that, subject to certain sections, the rate of the franchise tax is 0.5 percent of taxable margin for those taxable entities primarily engaged in retail or wholesale trade) and subject to Section 171.1016 (E-Z Computation and Rate), to elect to pay the tax imposed under this chapter at a rate of 0.475 percent of taxable margin.

(c) Provides that this section applies only to a report originally due on or after January 1, 2014, and before January 1, 2016.

(d) Provides that this section expires December 31, 2015.

SECTION 2. (a) Repealer: Section 1(c) (relating to providing that this section expires December 31, 2011, if Section 1 takes effect), Chapter 286 (H.B. 4765), Acts of the 81st Legislature, Regular Session, 2009, as amended by Section 37.01, Chapter 4 (S.B. 1), Acts of the 82nd Legislature, 1st Called Session, 2011.

(b) Effective date, this section: September 1, 2013.

SECTION 3. (a) Repealer: Section 2 (relating to providing that a taxable entity is not required to pay any tax and is not considered to owe any tax for a period under certain conditions and providing that this section takes effect January 1, 2012), Chapter 286 (H.B. 4765), Acts of the 81st Legislature, Regular Session, 2009, as amended by Section 37.02, Chapter 4 (S.B. 1), Acts

of the 82nd Legislature, 1st Called Session, 2011, and which amended former Section 171.002(d), Tax Code.

(b) Effective date, this section: September 1, 2013.

SECTION 4. (a) Repealer: Section 3 (relating to entitling a taxable entity to a discount of the tax imposed under this chapter that the taxable entity is required to pay after determining its taxable margin under Section 171.101, applying the appropriate rate of the tax under Section 171.002(a) or (b), and subtracting any other allowable credits; providing that Section 3 takes effect January 1, 2012; and providing that Section 3 applies only to a report originally due on or after the effective date of this section), Chapter 286 (H.B. 4765), Acts of the 81st Legislature, Regular Session, 2009, as amended by Section 37.03, Chapter 4 (S.B. 1), Acts of the 82nd Legislature, 1st Called Session, 2011, and which amended former Section 171.0021(a), Tax Code.

(b) Effective date, this section: September 1, 2013.

SECTION 5. Amends Section 171.006(b), Tax Code, to provide that beginning in 2010, on January 1 of each even-numbered year, the amounts prescribed by Sections 171.002(d)(2) (relating to providing that a taxable entity is not required to pay any tax and is not considered to owe any tax for a period if the amount of the taxable entity's total revenue from its entire business is less than or equal to \$1 million or the amount determined under Section 171.006 per 12-month period on which margin is based) and 171.1013(c) (relating to prohibiting a taxable entity, notwithstanding the actual amount of wages and cash compensation paid by a taxable entity to its officers, directors, owners, partners, and employees, from including more than \$300,000, or the amount determined under Section 171.006, per 12-month period on which margin is based, for any person in the amount of wages and cash compensation it determines under this section), rather than by Sections 171.002(d)(2), 171.0021 (Discounts from Tax Liability for Small Business), and 171.1013(c), are increased or decreased by an amount equal to the amount prescribed by those sections on December 31 of the preceding year multiplied by the percentage increase or decrease during the preceding state fiscal biennium in the consumer price index and rounded to the nearest \$10,000.

SECTION 6. Repealers: 171.0021 (Discounts from Tax Liability for Small Business) and 171.1016(d) (relating to providing that Section 171.0021 applies to a taxable entity that elects to pay the tax as provided by this section), Tax Code.

SECTION 7. Provides that this Act applies only to a report originally due on or after January 1, 2014.

SECTION 8. Effective date, except as otherwise provided by this Act: January 1, 2014.