

## **BILL ANALYSIS**

Senate Research Center  
85R1496 TJB-D

S.B. 575  
By: Schwertner et al.  
Finance  
2/23/2017  
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 smallest businesses, there are still very small businesses that have total revenue of more than \$1 million. These small businesses 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. 575 would exempt 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, this exemption could eliminate the franchise tax burden for 49 percent of businesses that are currently subject to the tax, while only decreasing franchise tax collections by around eight percent.

As proposed, S.B. 575 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, to provide 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 \$4 million, rather than less than or equal to \$1 million, or a certain determined amount.

SECTION 2. Makes application of this Act prospective.

SECTION 3. Effective date: January 1, 2018.