

BILL ANALYSIS

C.S.H.B. 32
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Ways & Means
Committee Report (Substituted)

BACKGROUND AND PURPOSE

Recent legislation, interested parties note, temporarily reduced the franchise tax rate for retailers and wholesalers and reduced the rate for other taxpayers. The statutory provisions for those rate reductions will expire soon. C.S.H.B. 32 seeks to further reduce those rates, to make those rate reductions permanent, and to revise provisions relating to the E-Z Computation.

CRIMINAL JUSTICE IMPACT

It is the committee's opinion that this bill does not expressly create a criminal offense, increase the punishment for an existing criminal offense or category of offenses, or change the eligibility of a person for community supervision, parole, or mandatory supervision.

RULEMAKING AUTHORITY

It is the committee's opinion that this bill does not expressly grant any additional rulemaking authority to a state officer, department, agency, or institution.

ANALYSIS

C.S.H.B. 32 amends the Tax Code to decrease the rate of the franchise tax from one percent of taxable margin to 0.75 percent of taxable margin and to decrease the rate of the franchise tax, subject to other provisions of the Tax Code, for those taxable entities primarily engaged in retail or wholesale trade from 0.5 percent of taxable margin to 0.375 percent of taxable margin. The bill increases from \$10 million to \$20 million the upper limit on a taxable entity's total revenue from its entire business at or below which a taxable entity may elect to pay the franchise tax for which it is liable in the amount computed and at the rate provided under the E-Z Computation and Rate franchise tax provisions and changes the method of computing the rate of the franchise tax by changing the multiplier in certain of those provisions from 0.575 percent to 0.331 percent. The bill's provisions apply only to a report originally due on or after the bill's effective date.

EFFECTIVE DATE

January 1, 2016.

COMPARISON OF ORIGINAL AND SUBSTITUTE

While C.S.H.B. 32 may differ from the original in minor or nonsubstantive ways, the following comparison is organized and formatted in a manner that indicates the substantial differences between the introduced and committee substitute versions of the bill.

INTRODUCED

HOUSE COMMITTEE SUBSTITUTE

SECTION 1. Sections 171.002(a) and (b),

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Tax Code, are amended to read as follows:
(a) Subject to Sections 171.003 and 171.1016 and except as provided by Subsection (b), the rate of the franchise tax is 0.95 [~~one~~] percent of taxable margin.
(b) Subject to Sections 171.003 and 171.1016, the rate of the franchise tax is 0.475 [~~0.5~~] percent of taxable margin for those taxable entities primarily engaged in retail or wholesale trade.

No equivalent provision.

SECTION 2. This Act applies only to a report originally due on or after the effective date of this Act.

SECTION 3. This Act takes effect January 1, 2016.

Tax Code, are amended to read as follows:
(a) Subject to Sections 171.003 and 171.1016 and except as provided by Subsection (b), the rate of the franchise tax is 0.75 [~~one~~] percent of taxable margin.
(b) Subject to Sections 171.003 and 171.1016, the rate of the franchise tax is 0.375 [~~0.5~~] percent of taxable margin for those taxable entities primarily engaged in retail or wholesale trade.

SECTION 2. Sections 171.1016(a) and (b), Tax Code, are amended to read as follows:
(a) Notwithstanding any other provision of this chapter, a taxable entity whose total revenue from its entire business is not more than \$20 [~~\$10~~] million may 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.
(b) The amount of the tax for which a taxable entity that elects to pay the tax as provided by this section is liable is computed by:
(1) determining the taxable entity's total revenue from its entire business, as determined under Section 171.1011;
(2) apportioning the amount computed under Subdivision (1) to this state, as provided by Section 171.106, to determine the taxable entity's apportioned total revenue; and
(3) multiplying the amount computed under Subdivision (2) by the rate of 0.331 [~~0.575~~] percent.

SECTION 3. Same as introduced version.

SECTION 4. Same as introduced version.