

BILL ANALYSIS

Senate Research Center

H.B. 551
By: Goolsby (Fraser)
Finance
5/11/1999
Engrossed

DIGEST

Currently, corporations are not required to pay the franchise tax for a period if the computed tax for that period is less than \$100. H.B. 551 would provide that corporations are not required to pay the franchise tax, if the corporations' gross receipts are less than \$250,000, until January 1, 2006, when current law is reinstated.

PURPOSE

As proposed, H.B. 551 provides that corporations' with gross receipts less than \$250,000, are not required to pay the franchise tax, until January 1, 2006.

RULEMAKING AUTHORITY

This bill does not grant any additional rulemaking authority to a state officer, institution, or agency.

SECTION BY SECTION ANALYSIS

ARTICLE 1

SECTION 1.01. Amends Section 171.002(d), Tax Code, to provide that a corporation is not required to pay any tax and is not considered to owe any tax for a period if certain conditions exist. Deletes text regarding if the amount of tax computed for a corporation is less than \$100. Makes conforming changes.

SECTION 1.02. Amends Section 171.203(a), Tax Code, to require a corporation on which the franchise tax is imposed, regardless of whether the corporation is required to pay any tax, to file a report with the comptroller containing certain information.

SECTION 1.03. Amends Section 171.204, Tax Code, to provide that to determine eligibility for the exemption provided by Section 171.2022, or to determine the amount of the franchise tax or the correctness of a franchise tax report, the comptroller may require an officer of a corporation to file an information report stating the amount of the corporation's taxable capital and earned surplus, or any other information, except as provided by Subsection (b). Authorizes the comptroller to require an officer of a corporation that does not owe any tax because of the application of Section 171.002(d)(2) to file an abbreviated information report with the comptroller stating the amount of the corporation's gross receipts from its entire business. Prohibits the comptroller from requiring a corporation described by this subsection to file an information report that requires the corporation to report or compute its earned surplus or taxable capital. Makes a nonsubstantive change.

SECTION 1.04. Effective date for this article: January 1, 2000.
Makes application of this article prospective.

ARTICLE 2

SECTION 2.01. Amends Section 171.002(d), Tax Code, to provide that the corporation is not required to pay the amount and is not considered to owe any tax for that period, if the amount of tax computed for a corporation is less than \$100.

SECTION 2.02. Amends Section 171.204, Tax Code, to authorize the comptroller to require an officer of a corporation that may be subject to the tax imposed under this chapter to file an information report with the comptroller stating the amount of the corporation's taxable capital and earned surplus, or any other

information the comptroller may request, to determine eligibility for the exemption provided by Section 171.2022, or to determine the amount of the franchise tax or the correctness of a franchise tax report.

SECTION 2.03. Effective date for this article: January 1, 2006.

Makes application of this article prospective.

ARTICLE 3

SECTION 3.01. Requires the comptroller of public accounts to report to the legislature and the governor on the effect that exempting small corporations from the franchise tax under Section 171.002, Tax Code, as amended by this Act, and limiting the reporting requirements of those corporations have on the economy of this state, including on the creation of new jobs in this state, before the beginning of the 79th Legislature, Regular Session. Sets forth the requirements for the report. Authorizes the comptroller to include the report in any other report made to the legislature.

SECTION 3.02. Emergency clause.

Effective date: 90 days after adjournment.