BILL ANALYSIS

Senate Research Center
76R3838 CBH-D

S.B. 148
By: Fraser
Finance
2/18/1999
As Filed (Revised)

DIGEST

Currently, the Tax Code exempts a Texas business from paying the franchise tax if the business owes less than $100 in tax. The exemption benefits a small business, which operates on small profit margins, by allowing the business to redirect the tax costs, the actual tax and the incurred cost in filing the report, into business expansion and additional employment, in turn benefitting the Texas economy. Introducing a new exemption threshold based on $200,000 in gross receipts, according to the Comptroller's Office, would cost $112.2 million for the 2001-01 biennium, but would relieve 45,000 companies of their current franchise tax liability and, thus, would benefit the Texas economy. S.B. 148 would broaden the threshold for an exemption to the franchise tax.

PURPOSE

As proposed, S.B. 148 introduces a new threshold for an exemption to the franchise tax based on $200,000 or less in gross receipts.

RULEMAKING AUTHORITY

This bill does not 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 exempt a corporation from the levied tax if the amount is less than $100, or the corporation's gross receipts from its entire business under Sections 171.105 and 171.1051, including the amount excepted under 171.1051(a), are less than $200,000. Makes conforming changes.

SECTION 2. Amends Section 171.204, Tax Code, to prohibit the comptroller from requiring an officer of a corporation owing no tax to file an information report. Makes conforming changes.

SECTION 3. Effective date: January 1, 2000.
Makes application of this Act prospective.

SECTION 4. Emergency clause.