

SUBJECT: Revisions to the administration and collection of the franchise tax

COMMITTEE: Ways and Means — favorable, with amendment

VOTE: 8 ayes — Craddick, Wolens, Finnell, Heflin, Holzheuser, Horn, Oliveira, Place
0 nays
3 absent — T. Hunter, Marchant, Romo

SENATE VOTE: On final passage, April 12 — voice vote

WITNESSES: No public hearing

DIGEST: SB 644, as amended, would make several changes to the corporate franchise tax. It would define "beginning date" for a state-chartered corporation as the date on which the charter takes effect and for a foreign corporation, either the date of the corporation's certificate of authority takes effect or the corporation begins doing business in the state, whichever is earlier. It would clarify that if a corporation's federal tax exemption is withdrawn by the IRS, then the effective date of the withdrawal by the IRS is considered the corporation's beginning date with regard to franchise taxes.

The bill would clarify that nonprofit corporations organized to educate the public about the protection and conservation of fish, game, other wildlife, grassland, or forests are exempted from the franchise tax. It would clarify that a nonprofit homeowner's association refers to residential condominiums where at least 51 percent of the votes of the corporation is not held by a single individual or family or one or more entities such as developers or banks.

The bill would require that officers or directors of a corporation on which a franchise tax is imposed be sent a public information report to sign stating that to the best of their knowledge the report is true and correct. If a person's name is included as an officer or director of the corporation and

information is inaccurate, then that person could file a sworn statement with the comptroller disclaiming their status in the report.

The bill would take effect January 1, 1996, and would apply to a report originally due on or after that date.

**SUPPORTERS
SAY:**

This bill would make technical corrections to the franchise tax law to clean up inadvertent errors made when the law was rewritten in 1991. The bill was proposed by the comptroller to ease administration of the franchise tax and generally reflects the comptroller's current enforcement practices.

**OPPONENTS
SAY:**

No apparent opposition

NOTES:

The committee amendment would make a technical change to the public information report.