

SUBJECT: Exempting new veteran-owned businesses from the franchise tax

COMMITTEE: Ways and Means — favorable, without amendment

VOTE: 7 ayes — D. Bonnen, Bohac, Button, Darby, Murphy, Parker, Springer
0 nays
4 absent — Y. Davis, Martinez Fischer, C. Turner, Wray

SENATE VOTE: On final passage, May 4 — 27-4 (Bettencourt, Burton, Garcia, Huffines)

WITNESSES: None

BACKGROUND: Tax Code, ch. 171 imposes a franchise tax on certain businesses operating in the state.

DIGEST: SB 1049 would exempt taxable entities that qualified as new veteran-owned businesses from the franchise tax and from fees imposed on the filing of certain reports with the secretary of state. This exemption would continue until either the fifth anniversary of the date on which the entity began to conduct business or until the entity ceased to qualify as a new veteran-owned business.

The bill would define a new veteran-owned business as a taxable entity if:

- each owner was a natural person who was honorably discharged from a branch of the United States armed forces;
- the entity was chartered or organized in this state; and
- first began doing business in the state on or after January 1, 2016.

The Texas Veterans Commission would be required to provide verification of a person's military service and honorable discharge in a manner prescribed by rules adopted by the comptroller.

The comptroller could require a new veteran-owned business to file an

information report but could not require the entity to report or compute its margin.

The provisions in this bill would take effect January 1, 2016, and would expire January 1, 2020.

NOTES:

The Legislative Budget Board's fiscal note indicates that this bill would have a negative impact to general revenue of \$4,000 and a direct impact of a revenue loss to the property tax relief fund of \$520,000 through fiscal 2016-17.