

BILL ANALYSIS

Senate Research Center
81R19532 JE-D

H.B. 4765
By: Oliveira et al. (Patrick)
Finance
5/11/2009
Engrossed

AUTHOR'S / SPONSOR'S STATEMENT OF INTENT

In 2008, business payments under the revised Texas franchise tax almost doubled; however, this increase was not spread equally across the business community. Businesses between \$1 million and \$10 million in total revenue bore the brunt of this tax increase. This sector of the economy paid an increase of almost 50 percent. As the Texas economy gradually works its way out of a recession, small businesses need some tax relief. This bill seeks to mitigate the affect of the new franchise tax by effectively removing 40,000 businesses from the tax rolls.

H.B. 4765 relates to the total revenue exemption for the franchise tax.

RULEMAKING AUTHORITY

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

SECTION BY SECTION ANALYSIS

SECTION 1. TEMPORARY EXEMPTION INCREASE. Amends Section 171.002(d), Tax Code, as follows:

(d) Provides that a taxable entity is not required to pay any tax and is not considered to owe any tax for a period if the amount of tax computed for the taxable entity is less than \$1,000, or the amount of the taxable entity's total revenue from its entire business is less than or equal to \$1 million, rather than \$300,000, or the amount determined under Section 171.006 (Adjustment of Eligibility for No Tax Due, Discounts, and Compensation Deduction) per 12-month period on which margin is based.

SECTION 2. SUNSET OF TEMPORARY INCREASE. Amends Section 171.002(d), Tax Code, effective January 1, 2012, as follows:

(d) Provides that a taxable entity is not required to pay any tax and is not considered to owe any tax for a period if the amount of tax computed for the taxable entity is less than \$1,000, or the amount of the taxable entity's total revenue from its entire business is less than or equal to \$300,000 or the amount determined under Section 171.006 per 12-month period on which margin is based.

SECTION 3. TRANSITION. (a) Provides that Section 171.002(d), Tax Code, as amended by SECTION 1 of this Act, applies only to a report originally due on or after the effective date of this Act.

(b) Provides that Section 171.002(d), Tax Code, as amended by SECTION 2 of this Act, applies only to a report originally due on or after January 1, 2012.

SECTION 4. EFFECTIVE DATE: January 1, 2010.