

## **BILL ANALYSIS**

Senate Research Center  
83R2330 ADM-F

H.B. 317  
By: Otto et al. (Paxton)  
Finance  
4/29/2013  
Engrossed

### **AUTHOR'S / SPONSOR'S STATEMENT OF INTENT**

Chapter 171 (Franchise Tax), Tax Code, defines the franchise tax rate for businesses primarily engaged in retail and wholesale trade at a lower percentage than the franchise tax rate for other businesses that have franchise tax liabilities. Rent-to-own stores offer goods such as electronics, appliances, and furniture that consumers obtain by way of rental purchase agreements, which allow a consumer to immediately obtain an item and subsequently make payments towards its purchase. Rent-to-own stores are not considered retailers for purposes of the Texas franchise or margins tax, meaning the rent-to-own industry pays the one percent tax rate instead of the 0.5 percent rate reserved for businesses that offer the very same retail goods.

H.B. 317 seeks to remedy this situation by adding rental-purchase agreement activities to the definition of "retail trade" with regard to the franchise tax.

H.B. 317 amends current law relating to the classification of certain entities as primarily engaged in retail trade for purposes of 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. Amends Section 171.0001(12), Tax Code, to redefine "retail trade" to include rental-purchase agreement activities regulated by Chapter 92 (Rental-Purchase Agreements), Business & Commerce Code.

SECTION 2. Provides that this Act applies only to a report originally due on or after the effective date of this Act.

SECTION 3. Effective date: January 1, 2014.