

BILL ANALYSIS

Senate Research Center
85R10734 GRM-F

H.B. 2126
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Finance
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Engrossed

AUTHOR'S / SPONSOR'S STATEMENT OF INTENT

Currently, a retailer or wholesaler engaged in the sale of telephone prepaid calling cards may be disqualified for the lower franchise tax rate for retailers and wholesalers based on an interpretation that the sale of such cards constitutes the provision of telecommunications services. H.B. 2126 seeks to address this issue by clarifying that the provision of telecommunications services does not include selling telephone prepaid calling cards for purposes of franchise tax liability.

H.B. 2126 amends the Tax Code to clarify that, for purposes of determining the franchise tax rate applicable to a taxable entity that is primarily engaged in retail or wholesale trade but does not provide retail or wholesale utilities, including telecommunications services, the provision of telecommunications services does not include selling telephone prepaid calling cards.

H.B. 2126 amends current law relating to the franchise tax rate applicable to certain taxable entities that sell telephone prepaid calling cards.

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 171.002, Tax Code, by adding Subsection (c-2), to provide that, for purposes of Subsection (c-3) (relating to providing that a taxable entity is primarily engaged in retail or wholesale trade only if the entity does not provide certain retail or wholesale utilities), the provision of telecommunications services does not include selling telephone prepaid calling cards.

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, 2018.