

BILL ANALYSIS

Senate Research Center
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S.B. 1689
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Finance
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DIGEST AND PURPOSE

The comptroller of public accounts has encountered legal challenges involving the construction of tax statutes in three areas: (1) other tobacco products tax, (2) franchise tax, and (3) insurance tax and its effect on other taxes. As proposed, S.B. 1263 clarifies the existing laws in these three areas and attempts to eliminate perceived vulnerabilities in these laws.

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 171.052, Tax Code, to provide that an insurance organization, title insurance company, or title insurance agent authorized to engage in insurance business in this state now required to pay an annual tax under Chapter 4 or 9, Insurance Code, measured by its gross premium receipts is exempted from the franchise tax. Provides that an insurance organization performing management or accounting activities in this state on behalf of a nonadmitted captive insurance company under Chapter 101, Insurance Code, that is required to pay a gross premium receipts tax during a tax year is exempted from the franchise tax for that same tax year.

SECTION 2. Amends Section 171.110(e), Tax Code, to provide that a business loss can be carried forward only by the corporation that incurred the loss and cannot be transferred to or claimed by any other entity, including the survivor of a merger if the loss was incurred by the corporation that did not survive the merger.

SECTION 3. Provides that Subsection (e), Section 171.110, Tax Code, as amended by this Act, is a clarification of existing law and not a substantive change in law.

SECTION 4. (a) Effective date: September 1, 2001.

(b) Makes application of this Act prospective.