

BILL ANALYSIS

Senate Research Center
81R10503 BEF-D

S.B. 19
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Finance
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AUTHOR'S / SPONSOR'S STATEMENT OF INTENT

In 2008, business payments under the revised Texas franchise tax almost doubled, but 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 in taxes. As the Texas economy gradually works its way out of a recession, small businesses need some tax relief.

As proposed, S.B. 19 increases the small business exemption from \$300,000 to \$1 million and lowers the EZ tax rate from 0.575 to 0.40 percent.

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(d), Tax Code, to provide 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 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. Amends Section 171.006(b), Tax Code, to provide that on January 1 of each even-numbered year, rather than beginning in 2010, on January 1 of each even-numbered year, the amounts prescribed by Sections 171.002(d)(2) (relating to a taxable entity not being required to pay any tax and is not considered to owe any tax for a period if the amount of the taxable entity's total revenue from its entire business is less than or equal to \$300,000 or a certain amount determined under Section 171.006) and 171.1013(c) (relating to prohibiting a taxable entity from including more than \$300,000 or the amount determined under Section 171.006 for any person in the amount of wages and cash compensation), rather than Sections 171.002(d)(2), 171.0021 (Discounts from Tax Liability for Small Businesses), and 171.1013(c), are increased or decreased by an amount equal to the amount prescribed by those sections on December 31 of the preceding year multiplied by the percentage increase or decrease during the preceding state fiscal biennium in the consumer price index and rounded to the nearest \$10,000.

SECTION 3. Amends Section 171.1016(b), Tax Code, to provide that the amount of the tax for which a taxable entity that elects to pay the tax as provided by this section is liable is computed by multiplying the amount computed under Subdivision (2) (relating to apportioning a certain computed amount to determine the taxable entity's apportioned total revenue) by the rate of 0.4, rather than 0.575, percent.

SECTION 4. Repealers: Sections 171.0021 (Discounts from Tax Liability for Small Businesses) and 171.1016(d) (relating to Section 171.0021 applying to a taxable entity), Tax Code.

SECTION 5. Makes application of this Act prospective.

SECTION 6. Effective date: January 1, 2010.