

BILL ANALYSIS

Senate Research Center
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S.B. 331
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Finance
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As Filed

AUTHOR'S / SPONSOR'S STATEMENT OF INTENT

Under current law, there is no mechanism for tax rebates for businesses subject to the franchise tax. Texas needs meaningful tax reform to reduce the impact of the franchise tax and lighten the burden placed on the shoulders of small businesses.

S.B. 331 would remedy this situation in conjunction with S.J.R. 23 by directing the comptroller to set up a rebate system for payers of the franchise tax by returning to businesses one quarter of any unspent and non-dedicated balance at the end of the biennium. One half of the unspent balance would still go to the Rainy Day Fund, as it does currently, and the remaining quarter would be returned to General Revenue. Rebates would be calculated by using the proportional values of the amounts paid versus the total amount of the franchise tax collections and the funds available for rebate purposes.

Putting in place a rebate system allows the legislature to simultaneously prioritize franchise tax relief and maintain current revenue streams.

As proposed, S.B. 331 amends current law relating to the use of certain surplus state revenue to provide for a rebate of state franchise taxes.

RULEMAKING AUTHORITY

Rulemaking authority is expressly granted to the Comptroller of Public Accounts of the State of Texas (comptroller) in SECTION 1 (Section 171.551, Tax Code) of this bill.

SECTION BY SECTION ANALYSIS

SECTION 1. Amends Chapter 171, Tax Code, by adding Subchapter K, as follows:

SUBCHAPTER K. SURPLUS REVENUE: REBATE OF FRANCHISE TAXES

Sec. 171.551. ISSUANCE OF INDIVIDUAL REBATES. (a) Requires the comptroller to issue, not later than the 180th day of each state fiscal biennium, to each payer of the franchise tax during the previous state fiscal biennium a rebate as provided by this section if the comptroller has determined under Subsection (a), Section 49-g-1, Article III, Texas Constitution (relating to the economic stabilization fund), that there remains an unencumbered positive balance of general revenues from the preceding state fiscal biennium.

(b) Requires the comptroller to compute for each payer of the franchise tax during the preceding state fiscal biennium the fractional share of the franchise taxes to be rebated by dividing that franchise tax payer's total franchise taxes paid during the preceding state fiscal biennium by the total of all franchise taxes paid under this chapter during that preceding state fiscal biennium.

(c) Requires the comptroller to issue to each payer of the franchise tax during the preceding state fiscal biennium a rebate of franchise taxes paid in an amount equal to the fraction determined for that payer under Subsection (b) multiplied by

the total amount of rebates to be issued under Subsection (b)(1), Section 49-g-1, Article III, Texas Constitution.

(d) Authorizes the comptroller to issue a payer's rebate by warrant or by electronic funds transfer, as provided by rules of the comptroller.

SECTION 2. Makes application of Subchapter K, Chapter 171, Tax Code, as added by this Act, prospective to the state fiscal biennium beginning September 1, 2017.

SECTION 3. Effective date: contingent upon approval by the voters of the constitutional amendment relating to the use of unencumbered surplus state revenues to provide for a rebate of state franchise taxes.