



STATE TAX ADVISORS WHITE PAPER: LEGISLATIVE UPDATES 2015 FRANCHISE TAX – HB 32 – EFFECTIVE 1/1/16

SUMMARY

HB 32 reduces the franchise tax rate from ¹ percent to 0.75 percent of taxable margin for all taxpayers not primarily engaged in retail or wholesale trade and not filing an EZ Computation Report.¹ For taxpayers engaged in retail or wholesale trade, HB 32 reduces the franchise tax rate from .5 percent to 0.375 percent of taxable margin.²

QUALIFICATIONS

HB 32 also expands the eligibility to file the Franchise Tax EZ Computation Report. Taxpayers whose total revenue is \$20 million or less can elect to file using the EZ computation (under prior law the eligibility limit was \$10 million). Entities using the EZ computation will not be allowed to take any credits or margin deductions (i.e., no deductions for cost of goods sold or compensation) for the applicable report year. The franchise tax rate for EZ filers will be reduced from 0.575 percent to 0.331 percent.³ Changes are effective for reports originally due on or after January 1, 2016.

¹ HB 32, Section 2, amending Tex. Tax Code § 171.002(a).

² HB 32, Section 2, amending Tex. Tax Code § 171.002(b).

³ HB 32, Section 3, amending Tex. Tax Code § 171.1016(a)(b).

TYPES OF COMPANIES THAT WILL BE IMPACTED? HB 32 will impact all industries and taxpayers.

For more information on how you can prepare for franchise tax HB 32, please contact us at [State Tax Advisors](#).