Welcome to the Comptroller's online tax calculator.

Significant changes were made to the Texas franchise tax during the 79th Third Called Session and the 80th Regular Session of the Texas Legislature.

Changes include the imposition of the tax on most legal entities, a revised tax base, and a different tax rate. In addition, there are tax discounts for businesses with less than $900,000 in total revenue, per 12-month period on which the tax is based, and an E-Z filing option for businesses with $10 million or less in total revenue, per 12-month period on which the tax is based. These changes generally apply to all reports originally due on or after January 1, 2008.

This calculator is a tool to estimate your potential franchise tax liability using the margin calculation as provided in HB 3 and HB 3928. Your actual tax liability may differ from this estimate because of special provisions in the legislation.

If you have specific questions about the revised franchise tax, you can contact us at tax.help@cpa.state.tx.us.

CLICK HERE TO CONTINUE

2b. WAGES AND CASH COMPENSATION - W2 Medicare wages and tips plus stock awards and stock options deducted for federal income tax *(may not exceed $300,000 for any single employee)*. .... __________

2c. EMPLOYEE BENEFITS - Employer's Cost of retirement contributions, employee health insurance and worker's compensation. .... __________

2d. COMP MARGIN - Line 2a minus (lines 2b and 2c). .... __________

TAX HELP

3a. TOTAL REVENUE .... __________

3b. % MARGIN - Equals 70% of line 3a. .... __________

4. **MARGIN** - Enter the least of lines 1c, 2d or 3b. .... __________

STEP 2. APPORTIONMENT

5. TEXAS GROSS RECEIPTS .... TAX HELP __________

6. EVERYWHERE GROSS RECEIPTS .... TAX HELP __________

7. **APPORTIONMENT FACTOR** - Line 5 divided by line 6. .... __________

STEP 3. TAXABLE MARGIN

8. **TAXABLE MARGIN** - Line 4 multiplied by line 7. .... __________

STEP 4. TAX DUE

9. TAX DUE BEFORE DISCOUNT OR CREDITS
   - Multiply line 8 by ☐ 0.5% for wholesalers and retailers or ☐ 1% for other taxable entities. .... __________

10. CREDITS .... __________

11. E-Z COMPUTATION (if eligible) - Line 3a times line 7 times 0.00575 .... __________

TAX HELP

12. DISCOUNT (if eligible) .... __________

13. **NET TAX DUE** - Line 9 minus (lines 10 and 12) ***OR*** line 11 minus line 12.
   (If less than $1,000, you owe no tax. Cannot be less than zero.) .... __________

Overview – Significant changes were made to the Texas franchise tax during the 79th third called session and the 80th regular session of the Texas Legislature. Changes include the imposition of the tax on most legal entities, a revised tax base, and a different tax rate. In addition, there are tax discounts for businesses with less than $900,000 in total revenue, per 12-month period on which the tax is based, and an E-Z filing option for businesses with $10 million or less in total revenue, per 12-month period on which the tax is based. Changes are generally effective for reports due on or after January 1, 2008.

Entities Subject to Tax – The tax is imposed on corporations, limited liability companies, partnerships (general, limited and limited liability), business trusts, professional associations, business associations, joint ventures and other legal entities that are organized in Texas or that do business in Texas. Sole proprietorships, general partnerships directly owned entirely by natural persons (except limited liability partnerships), entities exempt under Subchapter B of Chapter 171, unincorporated passive entities, grantor trusts, estates of natural persons, escrows, REMICs, and certain REITs are not subject to the tax. Additionally, entities with total revenue of $300,000 or less, per 12-month period on which the tax is based, or who calculate their tax due to be less than $1,000 will owe no tax. However, all taxable entities, including those who will owe no tax, must file a report. Texas Tax Code 171.0002 and 171.204.

Annualized Revenue - If the accounting period upon which the tax is based is not equal to 12 months (365 days) then you must annualize total revenue to determine eligibility for the $300,000 no tax due threshold, level of discount and qualification for using the E-Z computation. To annualize total revenue, enter the number of days in the accounting period on which the report is based. Annualized total revenue should only be used to determine qualification for the $300,000 no tax due threshold, the percentage of discount and qualification to use the E-Z Computation.

Lines 1a, 2a, and 3a. Total Revenue – Total revenue is determined based on federal income tax reporting. Total revenue for a taxable entity filing as a corporation for federal tax purposes includes amounts entered on line 1c of its federal tax return (Form 1120) plus the amounts entered on lines 4 through 10, Form 1120. A taxable entity filing as a partnership for federal tax purposes includes in total revenue the amounts entered on line 1c, 4, 6 and 7,Form 1065; the amounts entered on lines 3a and 5 through 11, Form 1065, Schedule K; line 17, Form 8825 and line 11 plus line 2 or line 45, Form 1040, Schedule F. From these amounts a taxable entity may subtract, to the extent included in revenue, bad debt expense, foreign royalties and dividends under Section 78 and Section 951-964, Internal Revenue Code, Schedule C dividends and income from a related entity. Specific exclusions from revenue include flow-through funds mandated by law, fiduciary duty or contract, such as sales tax, sales commissions to nonemployees, the tax basis of securities underwritten and a contractor's flow through payments to construction subcontractors. A lending institution may exclude the principal repayment of loans. An entity that provides legal services may exclude the following flow-through funds: damages due the claimant; funds subject to a lien or other contractual obligation arising out of the representation, other than fees owed to the attorney; fees paid to another attorney; pro bono services ($500 per case). Dividends and interest from federal obligations are excluded. A staff leasing services company shall exclude payments received from a client company for wages, payroll taxes and employee benefits for the assigned employees. A health care provider may exclude 100% of revenues from Medicaid, Medicare, IHCTA, CHIP, workers' compensation claims and TRICARE, and actual costs for uncompensated care (healthcare institutions may only exclude 50%). For purposes of this calculator, total revenue cannot be less than zero. Texas Tax Code 171.1011.

Line 1b. Cost of goods sold – "Goods" are defined as real or tangible personal property sold in the ordinary course of business and includes a computer program. Taxable entities that provide only services are not eligible for a cost of goods sold deduction. A taxable entity renting motor vehicles, heavy construction equipment or railcar rolling stock may use cost of goods sold for costs related to the property rented. Cost of goods sold includes all direct costs of acquiring or producing the goods such as labor; materials; handling costs including processing, assembling, and inbound transportation; and storage costs. Cost of goods sold also includes cost related to production related equipment and facilities such as depreciation, rental and repair and maintenance. Research, insurance, utilities, quality control and licensing costs directly related to the production of goods are also included. A taxable entity may deduct up to 4% of overhead costs allocable to the production of goods. Lending institutions that make loans to the public may deduct interest as a cost of goods sold. Cost of goods sold does not include renting or leasing costs that are not production related; selling costs; distribution costs including outbound transportation costs; advertising cost; interest; income or franchise taxes; and officer compensation. Payments for undocumented workers are not deductible. Any amounts excluded from total revenue may not be included in the determination of cost of good sold. Texas Tax Code 171.1012.

Line 2b. Wages and Cash Compensation - Wages and cash compensation include amounts reported for Medicare wages and tips on Form W-2; net distributive income from certain partnerships, limited liability companies and S corporations to natural persons; and stock awards and stock options deducted for federal income tax purposes. The amount includes wages and cash compensation paid to officers, directors, owners, partners and employees. The deduction for wages and cash compensation is limited to $300,000 per person or the amount determined under 171.006, Tax Code per person.

A taxable entity that is a staff leasing services company should include only payment for the entity's own employees that are not assigned employees. A client company that contracts with a staff leasing services company may include wages for assigned employees but may not include an administrative fee or payroll taxes. Payments for undocumented workers are not deductible. Any amounts excluded from total revenue may not be included in the determination of compensation. Texas Tax Code 171.1013.

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Line 2c. Employee Benefits – Benefits, to the extent deductible for federal income tax purposes, provided to officers, directors, owners, partners and employees, including workers' compensation, health care and retirement benefits. Texas Tax Code 171.1013.

Line 5. Texas Gross Receipts - Gross receipts in Texas include sales of real property located in Texas, sales of tangible personal property when the property is delivered or shipped to a purchaser within Texas, services performed within Texas, rentals of property situated in Texas, royalties from use of patents or copyrights within Texas, revenues from the use of trademarks, franchises or licenses within Texas and all other business revenue within Texas including dividends and interest from Texas payors. Generally, any amounts excluded from total revenue may not be included in the determination of Texas Gross Receipts. Texas Tax Code 171.103.

Line 6. Everywhere Gross Receipts - Gross receipts everywhere includes all sales of real property, all sales of tangible personal property, all services, all rentals, all royalties from use of patents, copyrights, trademarks, franchises or licenses and all other business revenue including dividends and interest. Generally, any amounts excluded from total revenue may not be included in the determination of Everywhere Gross Receipts. Texas Tax Code 171.105.

Line 9. Tax Due Before Discount and Credits - The tax rate is 1 percent for most taxable entities. For entities primarily engaged in retail or wholesale trade under division F or G of the 1987 Standard Industrial Classification Manual published by the federal Office of Management and Budget, the tax rate is 0.5 percent. An entity is primarily engaged in retail or wholesale trade only if: (1) the total revenue from its activities in retail and wholesale trade is greater than the total revenue from its activities in trades other than the retail and wholesale trade; (2) less than 50% of the total revenue from activities in retail or wholesale trade comes from the sale of products it produces or products produced by an entity that is part of an affiliated group to which the taxable entity also belongs, except for those businesses under Major Group 58 (eating and drinking establishments); and (3) the taxable entity does not provide retail or wholesale utilities, including telecommunications services, electricity or gas. Texas Tax Code 171.002.

Line 10. Credits - A taxable entity that previously qualified for a research and development credit, capital investment credit, or job creation credit may claim unused carryovers and installments to offset the tax on margin. Each credit is limited to 50% of the tax due before using the credit. No additional credits for research and development, capital investment, or job creation may be created. In addition, a corporation or limited liability company that was doing business in Texas on May 1, 2006, is eligible to take a credit based on business loss carryforwards under Tax Code Section 171.110(e) that were not expired or exhausted on a report due prior to January 1, 2008. For report years 2008-2017 the credit calculation is (unexhausted business loss carryforwards as of 01/01/08) x 2.25% x 4.5%. For report years 2018-2027 the credit calculation is (unexhausted business loss carryforwards as of 01/01/08) x 7.75% x 4.5%. Texas Tax Code 171.111.

Line 11. EZ Calculation – A taxable entity with total revenue of $10 million or less, per 12-month period on which the tax is based, may elect to pay the franchise tax by multiplying Total Revenue times the Apportionment Factor times 0.575% (0.00575).

Line 12. Discount - A taxable entity is entitled to a discount of the tax imposed as follows:
If Total Revenue, per 12 month period on which the tax is based, is:

- greater than $300,000 and less than $400,000, the discount is 80% of tax due;
- greater than or equal to $400,000 and less than $500,000, the discount is 60% of tax due;
- greater than or equal to $500,000 and less than $700,000, the discount is 40% of tax due; and
- greater than or equal to $700,000 but less than $900,000, the discount is 20% of tax due.

Texas Tax Code 171.0021 and 171.006.

Line 13. Net Tax Due - The tax on line 13 is the lesser of

- Line 9 less Line 10 less line 12, or
- Line 11 less line 12.

Combined Reporting

Taxable entities that are part of an affiliated group engaged in a unitary business shall file a combined group report in lieu of individual reports, without regard to the $300,000 limitation on revenue. All members of a combined group must use the same method to compute margin (i.e. cost of goods sold, compensation, 70%, or EZ). An affiliated group is a group of one or more entities in which a controlling interest (more than 50%) is owned by a common owner or owners, either corporate or noncorporate, or by one or more of the member entities. A unitary business is defined as a single economic enterprise that is made up of separate parts of a single entity or of a commonly controlled group of entities that are sufficiently interdependent, integrated, and interrelated through their activities so as to provide a synergy and mutual benefit that produces a sharing or exchange of value among them and a significant flow of value to the separate parts. Margin for the combined group is calculated by adding the total revenue for each entity, subtracting the cost of goods sold/compensation for each entity and then subtracting items of revenue and cost of goods sold/compensation from one member of a combined group to another member of the combined group. The 70% method is also available. For apportionment purposes, Texas Gross Receipts of a combined group should include only receipts for entities within the group that have nexus in Texas. Receipts from transactions between members that are excluded from revenue may not be included in Texas Gross Receipts except for receipts ultimately derived from the sale of tangible personal property between members where one member party to the transaction does not have nexus in Texas. Everywhere Gross Receipts for a combined group should include receipts for all entities within the group, regardless of whether the entities have nexus in Texas. Receipts from transactions between members that are excluded from revenue may not be included in Everywhere Gross Receipts. Texas. Tax Code 171.1014.

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