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LIST OF SUBSTANTIVE CHANGES AND ADDITIONS

PPC's Texas Franchise Tax Deskbook

Twenty-third Edition (January 2022)

Highlights of this Edition

The following are some of the important new features of the 2022 Edition of *PPC's Texas Franchise Tax Deskbook*:

- **Relief for Qualifying Small Businesses.** Keeping in line with the Federal government, the Texas Legislature has passed new legislation providing relieve for qualifying small businesses who have received qualifying loan and grant proceeds which have been forgiven. The *Deskbook* has been updated for these legislative changes.
- **New Veteran-owned Businesses.** New veteran-owned businesses formed after January 1, 2022, and before January 1, 2026, are not subject franchise tax from the date they begin doing business until the fifth anniversary of that beginning date. The *Deskbook* has been updated for the amendment to this special rule.
- **Comptroller Letters and Hearings.** Numerous Comptroller Letters were issued and Comptroller Hearings were decided during 2021. The *Deskbook* addressed many of these that dealt with franchise tax issues and changes in policy.

In addition to these featured items, your *Deskbook* includes the following update items detailed below.

<u>Chapter</u>	<u>Substantive Changes and Additions</u>	<u>Reference</u>
CHAPTER 3 Foreign Entities and Nexus	1. Updated for SB 1203 which specifies that acting as a governing person of a domestic or foreign corporation that is registered to transact business in Texas does not constitute a transaction of business in Texas.	Key Issue 3A
	2. Addressed a Comptroller Hearing that opinioned on the nexus of a foreign entity that had online sales of air conditioning equipment.	Key Issue 3A
CHAPTER 4 Exemption from the Texas Franchise Tax	1. Updated the information on the new veteran-owned business accounting method for changes made by the Texas legislature.	Key Issue 4A
	2. Discussed new Comptroller Publication 96-211 that deals with instances when a taxable entity can qualify for a franchise tax exemption.	Key Issue 4B
CHAPTER 6 Tax Payments and Deposits	1. Discussed a change in the law relating to payments made under protest.	Key Issue 6B
CHAPTER 9 Amended Reports	1. Added the citation to a Comptroller Hearing concerning sufficiency of evidence when filing a claim for refund.	Key Issue 9C

<u>Chapter</u>	<u>Substantive Changes and Additions</u>	<u>Reference</u>
CHAPTER 13 Total Revenue from the Entire Business	1. Added information regarding new TTC Sec. 171.10131 for the relief provisions for qualifying small businesses for: <ol style="list-style-type: none"> a. The treatment of loan proceeds or grants that were forgiven. b. Cost of goods sold expenses paid with qualifying loan or grant proceeds. c. Compensation expenses paid with qualifying loan or grant proceeds. 	Key Issue 13B
CHAPTER 14 Gross Receipts and Apportionment	1. Addressed the <i>Citgo Petroleum</i> case which focuses on taxpayers that sell securities that are considered “noninventory securities.”	Key Issue 14D
CHAPTER 15 Cost of Goods Sold Deduction	1. Mentioned Comptroller Hearing 202102006H that addresses the calculation of research and development expenses for Texas Franchise tax purposes.	Key Issue 15H
CHAPTER 16 Compensation Deduction	1. Addressed the treatment of compensation expenses that were paid for by funds from qualifying loan or grant proceeds that were forgiven.	Key Issue 16B
CHAPTER 17 Combined Reporting and Unitary Taxation	1. Updated for the 2022 threshold amount for no tax due reports. 2. Updated for the 2022 compensation deduction limit.	Throughout Key Issue 17J
CHAPTER 18 Special Status Entities	1. Mentioned Comptroller Letter 201810018H that addressed mixed transaction rules for determining which costs are eligible for automotive service providers.	Key Issue 18J
CHAPTER 21 Tax Credits	1. Noted amendments to TAC Rule 3.599 regarding the research and development activities credit. 2. Updated the definition of eligible costs and expenses for amendments made to TTC Sec. 171.9015 as related to the certified rehabilitation for the rehabilitation of a certified historic structure.	Key Issue 21B Key Issue 21C
CHAPTER 23 Accounting Methods	1. Updated the information on the new veteran-owned business accounting method for changes made by the Texas legislature.	Key Issue 23E
CHAPTER 24 Privilege Periods and Business Periods	1. Updated for changes made with regards to the beginning date rules for new veteran-owned businesses.	Key Issue 24C
CHAPTER 25 First Annual Franchise Tax Report	1. Updated the discussion of new veteran-owned businesses for new beginning and ending years.	Key Issue 25A
CHAPTER 27 Penalties and Interest	1. Updated the interest rates applicable to underpayments and overpayments of franchise tax in 2022.	Key Issue 27B and 27F

Chapter

CHAPTER 29
Dealing Effectively
with the Comptroller's
Office

Substantive Changes and Additions

1. Addressed amendments made to TTC Sec. 111.106 for changes made for those claiming refunds with a notice of intent to bypass and skip the State Office of Administrative Hearings.

Reference

Key Issue 29F

