



This Week in State Tax (TWIST)

13th November, 2023



To listen to the podcast please [click here](#)

Texas: Comptroller Issues Guidance on Elimination of the No Tax Due Report for Certain Entities.

Texas Senate Bill 3 increased the franchise (margin) tax exemption from \$1.0 million to \$2.47 million effective for reports originally due on and after January 1, 2024. Furthermore, also effective for reports originally due on or after January 1, 2024, the bill repealed the requirement that certain businesses that fall under this exemption must file a No Tax Due Report (Form 05-163) with the Comptroller. The bill also repealed the requirement that a new veteran-owned business file a No Tax Due Report during its initial 5-year exemption period.

The Comptroller issued guidance on these changes in its November 2023 Tax Policy News. Notably, the Comptroller's office is discontinuing the No Tax Due Report for the 2024 report year and beyond, and the form will no longer be available. However, certain entities will continue to be required to file a report, and the Comptroller has provided guidance on how this will be accomplished. While taxable entities with annualized total revenue at or below the no tax due revenue threshold are not required to file a franchise tax report, they must still file a Public Information Report (PIR) or Ownership Information Report (OIR). New veteran-owned businesses are not required to file a franchise tax report for the initial five-year period that they qualify as a new veteran-owned business, and no PIR or OIR is required during this initial period. Passive entities must file either the long form or the EZ Computation form. Both forms are being updated by adding a circle to darken in the taxpayer information section at the top of the form. Other than signing the report, passive entities need not provide information in any other section of the report, and no PIR or OIR is required. REITs also must file either a long form or EZ Computation form and darken the appropriate circle in the taxpayer information section at the top of the form. Other than signing the report, REITs need not provide information in any other section of the report. However, REITs must continue to file a PIR or OIR. Taxable entities with zero Texas gross receipts must file either a long form or EZ Computation form and complete specific line items on the form to compute the entity's total revenue and report zero on the Texas gross receipts line. Entities with zero Texas gross receipts must continue to file a PIR or OIR. As a reminder, a combined group must include all taxable entities in the combined group report even if any member, on a separate entity basis, has annualized total revenue at or below the no tax due revenue threshold. Please contact Karey Barton with questions.

kpmg.com/socialmedia



© 2023 KPMG LLP, a Delaware limited liability partnership and a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved. USCS000670-1T

The following information is not intended to be "written advice concerning one or more federal tax matters" subject to the requirements of section 10.37(a)(2) of Treasury Department Circular 230.

The information contained herein is of a general nature and based on authorities that are subject to change. Applicability of the information to specific situations should be determined through consultation with your tax adviser.