



SENATOR CHARLES SCHWERTNER, MD
SENATE DISTRICT 5

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January 23, 2017

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Schwertner Works to End Franchise Tax for Small Businesses

Schwertner's Small Business Tax Relief Act would set a \$4 million exemption from the state franchise tax, completely eliminating the tax for nearly half of Texas businesses

AUSTIN, TX -- Today, Senator Charles Schwertner, MD (R-Georgetown) filed SB 575, also known as the Small Business Tax Relief Act. If passed, SB 575 would raise the total revenue exemption on the state's business franchise tax from \$1 million to \$4 million, providing substantial tax relief for tens of thousands of Texas businesses. In 2015, the Small Business Tax Relief Act received widespread, bipartisan support in the Texas Senate before ultimately stalling in the House Committee on Ways and Means.

"The Small Business Tax Relief Act represents a landmark tax cut for the kind of main street businesses that create jobs and drive the Texas economy forward," said Schwertner. "Texans have made it clear that they want to see pro-job, pro-growth tax policies at all levels of government and for many small and medium-sized businesses struggling to make it, the state franchise tax only serves to limit employment and stifle new investment."

The Texas Comptroller's Office estimates that by raising the current revenue exemption from \$1 million to \$4 million, the Small Business Tax Relief Act (SB 575) would provide more than \$238 million in annual tax relief and completely exempt over 62,000 small businesses that would otherwise be subject to the tax. These small businesses represent roughly half (49.3%) of all entities required to remit payment under the current franchise tax structure. Furthermore, the Comptroller estimates this landmark tax relief can be achieved with only a 8.33% decrease in overall franchise tax revenue.

"I think the entire legislature acknowledges this will be a challenging session from a budget-writing perspective," Schwertner conceded. "However, if we are serious about making additional reductions to the franchise tax this session, we should focus our efforts on ways we can provide substantial tax relief while still maintaining a balanced budget that addresses the needs of the state. By increasing the revenue exemption for the state franchise tax, we can provide dramatic tax relief to the small businesses that need it most, with only a modest impact to state revenues."

Small business advocates have consistently argued that the franchise tax disproportionately affects small to medium-sized Texas businesses -- particularly in those industries marked by high gross receipts but marginal overall profits.

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Senate Bill 575 has again received broad support in the Texas Senate, with 14 Senators agreeing to joint author the legislation with Senator Schwertner:

- Senator Brian Birdwell (R-Granbury)
- Senator Dawn Buckingham (R-Lakeway)
- Senator Konni Burton (R-Colleyville)
- Senator Donna Campbell (R-New Braunfels)
- Senator Brandon Creighton (R-Conroe)
- Senator Craig Estes (R-Wichita Falls)
- Senator Bob Hall (R-Canton)
- Senator Juan "Chuy" Hinojosa (D-McAllen)
- Senator Lois Kolkhorst (R-Brenham)
- Senator Eddie Lucio, Jr. (D-Brownsville)
- Senator Robert Nichols (R-Jacksonville)
- Senator Charles Perry (R-Lubbock)
- Senator Kel Seliger (R-Amarillo)
- Senator Larry Taylor (R-Friendswood)

A medical doctor by training, Dr. Schwertner currently serves as Chairman of the Senate Committee on Health and Human Services. Schwertner is currently serving his second term as the senator for Senate District 5, a ten-county region of central and east Texas.

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