

Tax Information

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Texas Comptroller of Public Accounts

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Why Did You Receive This Notice?

You received this notice because our records show that you did not file a franchise tax report or there was an error in the report you filed. We have identified some common filing errors and listed them below, along with information on how to correct them.

Original Franchise Tax Report Not Filed

In all cases, a franchise tax report must be filed, even if no tax is due.

Franchise Tax Report Options

An entity qualifies to file the No Tax Due Report (Form 05-163) if one or more of the following applies:

- ✓ the entity has zero Texas receipts;
- ✓ the entity qualifies as a passive entity, for the period upon which the tax is based, under Texas Tax Code Section 171.0003;
- ✓ the entity is a real estate investment trust (REIT) that meets the qualifications specified in Texas Tax Code Section 171.0002(c)(4); or
- ✓ the entity's annualized total revenue is below the no tax due threshold amount. Total revenue must be annualized if the period upon which the report is based is not equal to 12 months. To annualize total revenue, a taxable entity will divide total revenue by the number of days in the period upon which the report is based, and then multiply the result by 365. The no tax due threshold amount is:
 - \$300,000 or less for franchise tax reports originally due on or after Jan. 1, 2008, and before Jan. 1, 2010
 - \$1,000,000 or less for franchise tax reports originally due on or after Jan. 1, 2010, and before Jan. 1, 2012
 - \$1,030,000 or less for franchise tax reports originally due on or after Jan. 1, 2012, and before Jan. 1, 2014.

An entity qualifies to file the EZ Computation Report (Form 05-169) if it has annualized total revenue of \$10 million or less. Total revenue must be annualized if the period upon which the report is based is not equal to 12 months. To annualize total revenue, a taxable entity will divide total revenue by the number of days in the period upon which the report is based, and then multiply the result by 365.

Other entities must file the Long Form Report (Forms 05-158A and 05-158B).

To satisfy filing requirements, file both the appropriate franchise tax report and information report.

Required Information Report

In addition to the franchise tax report, all entities must file an information report. The only exception is an entity that qualifies as a passive entity.

Entities legally formed as a corporation, limited liability company or financial institution file the Public Information Report (Form 05-102).

All other entity types, including professional associations, file the Ownership Information Report (Form 05-167), regardless of how they report for federal purposes.

Verify that the taxpayer number on the report matches the taxpayer number on the notice you received. If it does not match, please contact our office.

Be sure to sign the report. Reports filed electronically do not need to be signed.

Complete, Signed Information Report Not Filed

To complete filing requirements, the appropriate information report must be filed.

Corporations, limited liability companies and financial institutions file the Public Information Report (Form 05-102).

Information Online

You can access our forms and electronic reporting options online at:
<http://www.window.state.tx.us/taxinfo/taxforms/05-forms.html>

After your account issues have been resolved, you can obtain a *Certificate of Account Status* online at:
<http://ourcpa.cpa.state.tx.us/coa/Index.html>

Why Did You Receive This Notice? *(continued)*

All other entity types, including professional associations, file the Ownership Information Report (Form 05-167), regardless of how they report for federal purposes.

Verify that each page of the report is signed and the taxpayer number on the report matches the taxpayer number on the notice you received. If it does not match, please contact our office.

No Tax Due Report (Form 05-163) Filing Denial

A taxable entity qualifies to file a No Tax Due Report if its annualized total revenue is below the no tax due threshold amount. The no tax due threshold amount is:

- ✓ \$300,000 or less for franchise tax reports originally due on or after Jan. 1, 2008, and before Jan. 1, 2010
- ✓ \$1,000,000 or less for franchise tax reports originally due on or after Jan. 1, 2010, and before Jan. 1, 2012
- ✓ \$1,030,000 or less for franchise tax reports originally due on or after Jan. 1, 2012, and before Jan. 1, 2014.

If your entity's annualized total revenue exceeds the threshold, a No Tax Due Report cannot be filed. File a Long Form Report (Forms 05-158A and 05-158B) or, if qualified, the EZ Computation Report (Form 05-169).

Incomplete Affiliate Data: Texas Franchise Tax Affiliate Schedule (Form 05-166)

Verify that the reporting entity for the combined group is listed on the Affiliate Schedule. If not, then file an Affiliate Schedule, completing Items 1-11 for the reporting entity. Do not file the entire schedule again.

Verify that all entities included on the Affiliate Extension List (Form 05-165) were also included on the Affiliate Schedule (Form 05-166). If not, submit an Affiliate Schedule listing only the missing entities. If entities were included on the Affiliate Extension List in error, notify us in writing. You do not need to file an amended report.

The accounting period begin and end dates for every affiliate on the schedule must be the same as, or within the accounting period begin and end dates of, the combined group. If the federal taxable period of a member differs from the federal taxable period of the combined group, the reporting entity will determine the portion of that member's revenue, cost of goods sold, compensation, etc.

to be included by preparing a separate income statement based on federal income tax reporting methods for the months included in the group's accounting period. Verify all accounting periods and file an amended Affiliate Schedule listing only the information for the affiliates whose data is changing. Do not file the entire schedule again.

Texas Franchise Tax Affiliate Schedule (Form 05-166) Not Filed

The box indicating this report was a combined report was checked, but we did not receive the Affiliate Schedule (Form 05-166). If you intended to file a combined report, file the Affiliate Schedule. If the "combined report" box was checked in error, notify our office in writing. You do not need to file an amended report.

Credits Summary Schedule (Form 05-160) Not Filed

A credit was entered on Item 31 of the franchise tax report, but we did not receive the Credits Summary Schedule (Form 05-160) with the report. If you intended to take the credit, file the Credits Summary Schedule. If the amount was erroneously entered on Item 31, file an amended franchise tax report.

Tiered Partnership Report (Form 05-175) Not Filed

Every partner included in a tiered partnership election must file its own franchise tax report as well as a Tiered Partnership Report. If you intended to file under the tiered partnership election, file the Tiered Partnership Report (Form 05-175). If the tiered partnership election box was checked in error, notify our office in writing. You do not need to file an amended report.

Tiered Partnership Report (Form 05-175) Filed Without Tax Report

A Tiered Partnership Report was filed without a franchise tax report. A franchise tax report must be filed for each partner included on the Tiered Partnership Report. It is not necessary to file the Tiered Partnership Report again.

Invalid Tiered Partnership Report (Form 05-175)

The Tiered Partnership Report that was filed cannot be processed because the entity did not include the lower tier total revenue before passing revenue to the upper tier entity or because the entity reported passing revenue in an amount greater than the lower tier entity's revenue. File a corrected Tiered Partnership Report.



up to receive Texas franchise tax email updates straight to your inbox at www.window.state.tx.us/subscribe.