2019 Texas Franchise Tax Report Information and Instructions

Form 05-907 (9-18)

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General Information

This booklet summarizes the Texas franchise tax law and rules and includes information that is most useful to the greatest number of taxpayers preparing Texas franchise tax reports. It is not possible to include all requirements of the Texas Tax Code Chapter 171. Taxpayers should not consider this tax booklet as authoritative law. Additional information about Texas franchise tax can be found online at www.comptroller.texas.gov/taxes/franchise.

What's New for 2019?

Changes to the Requirement for Mandatory TEXNET Payments

Effective Jan. 1, 2019, the mandatory requirement for paying franchise tax through TEXNET is increased to $500,000. Taxpayers who remitted $500,000 or more in franchise tax payments in the previous comptroller fiscal year must make all franchise tax payments in the current calendar year by TEXNET. The comptroller will notify taxpayers that have recently qualified for this requirement.

Taxpayers who remitted $10,000 or more in franchise tax payments in the previous comptroller fiscal year must make all franchise tax payments in the current calendar year by electronic funds transfer. The comptroller will notify taxpayers that have recently qualified for this requirement.

File and Pay Franchise Tax Electronically

Electronically file and pay your franchise tax report using Webfile. It helps with mathematical computations and has built-in edits to help you avoid mistakes that could lead to unnecessary billings and the forfeiture of an entity's right to transact business in Texas. Electronic filing and paying is available 24 hours a day.

If you owe tax, electronic payment options include credit card, electronic check (Web EFT) or TEXNET (enrollment required).

To get started with Webfile for franchise tax, you will need your 11-digit Texas taxpayer number and your 6-digit XT Webfile number listed on your Franchise Tax notice. Webfile is available online at www.comptroller.texas.gov/taxes/file-pay/.

Webfile is not recommended for combined groups with more than 10 members.

Franchise reports can also be filed using approved tax preparation software. A list of approved providers is available at www.comptroller.texas.gov/taxes/franchise/approved-providers.php.

Electronic Filing of No Tax Due Reports Required

As of January 1, 2016, No Tax Due Reports must be filed electronically.

Need a Webfile number?

Call 800-442-3453, enter the taxpayer number when prompted and choose option number 1. Our automated system will require identifying information, such as total revenue from a prior report or last payment amount (if greater than zero), before releasing the Webfile number.

Entities Subject to Tax

The franchise tax is imposed on the following entities that are either organized in Texas or doing business in Texas:

- corporations;
- limited liability companies (LLCs), including single member and series LLCs;
- banks;
- state limited banking associations;
- savings and loan associations;
- S corporations;
- professional corporations;
- partnerships (general, limited and limited liability);
- trusts;
- professional associations;
- business associations;
- joint ventures; and
- other legal entities.

Entities Not Subject to Tax

The tax is not imposed on:

- sole proprietorships (except for single member LLCs);
- general partnerships where direct ownership is composed entirely of natural persons (except for limited liability partnerships);
- entities exempt under Subchapter B of Chapter 171, Tax Code;
- certain unincorporated passive entities;
- certain grantor trusts, estates of natural persons and escrows;
- real estate mortgage investment conduits and certain qualified real estate investment trusts;
- a nonprofit self-insurance trust created under Chapter 2212, Insurance Code;
- a trust qualified under Section 401(a), Internal Revenue Code;
- a trust exempt under Section 501(c)(9), Internal Revenue Code; or
- unincorporated political committees.

See Rule 3.581 for information on nontaxable entities.

Exempt Entities

Some entities may be exempt from the franchise tax. The exemptions vary depending upon the type of organization. Exemptions are not automatically granted to an entity. For more information on franchise tax exemptions, go to www.comptroller.texas.gov/taxes/exempt/faq.php.

Note: New veteran-owned businesses and entities that qualify as passive are not considered exempt entities.

Passive Entities

Partnerships (general, limited and limited liability) and trusts (other than business trusts) may qualify as a passive entity and not owe any franchise tax for a reporting period if at least 90% of the entity's federal gross income (as reported on the entity's federal income tax return), for the period upon which the tax is based, is from the following sources:

- dividends, interest, foreign currency exchange gain, periodic and non periodic payments with respect to notional principal contracts, option premiums, cash settlements or termination payments with respect to a financial instrument, and income from a limited liability company;
- distributive shares of partnership income to the extent that those distributive shares of income are greater than zero;
- net capital gains from the sale of real property, net gains from the sale of commodities traded on a commodities exchange and net gains from the sale of securities; and
- royalties from mineral properties, bonuses from mineral properties, delay rental income from mineral properties and income from other non-operating mineral interests including non-operating working interests.

Passive income does not include rent or income received by a non-operator from mineral properties under a joint operating agreement if the non-operator is a member of an affiliated group and another member of that group is the operator under the same joint operating agreement.

A passive entity that is registered, or is required to be registered with the Secretary of State (SOS) or the Comptroller's office must electronically file a No Tax Due Report (Form 05-163) annually to affirm that the entity qualifies as a passive entity. A passive entity is not required to file a Public Information Report (Form 05-102) or Ownership Information Report (Form 05-167).

A passive entity cannot be included as an affiliate of a combined group. LLCs cannot qualify as passive, even if filing as a partnership for federal income tax purposes.

A partnership or trust that qualifies as a passive entity for the period upon which the franchise tax report is based, and is not registered and is not required to be registered with the SOS or Comptroller's office, will not be required to register or file a franchise tax report with the Comptroller's office.

A passive entity not registered with the Comptroller's office that no longer qualifies as a passive entity must file a Nexus Questionnaire (Form AP-114), a Business Questionnaire (Form AP-224) or a Trust Questionnaire (Form AP-231) to register with the Comptroller's office and begin filing franchise tax reports.

New Veteran-Owned Businesses

ENTITIES MUST BE PRE-QUALIFIED

New veteran-owned businesses are not subject to franchise tax for an initial five-year period. To be considered a new veteran-owned business, an entity must meet the following qualifications as verified by the Comptroller's office:

- be an entity formed or organized in Texas on or after Jan. 1, 2016, and before Jan. 1, 2020;

- be 100% owned by a natural person (or persons), each of whom was honorably discharged from a branch of the United States armed services; and
- provide a letter from the Texas Veterans Commission (TVC) verifying the honorable discharge of each owner.

A taxable entity that is verified as a new veteran-owned business must file a No Tax Due Report (Form 05-163) for each reporting period the franchise tax is not imposed on the taxable entity. However, the new veteran-owned business is not required to file a Public or Ownership Information Report.

A new veteran-owned business cannot file as a member of a combined group or as part of a tiered partnership.

The Comptroller's office must be notified if the ownership of the new veteran-owned business changes at any point during the initial five-year period. If during the initial five-year period a new veteran-owned business no longer meets the above criteria, it will become subject to the franchise tax.

For the verification process and additional information please visit the Comptroller's website at www.comptroller.texas.gov/taxes/franchise/veteran-business.php.

If you are a veteran and your entity was formed prior to Jan. 1, 2016, please contact the Texas Veterans Commission for other resources that may be available to you at 800-252-8387 or www.tvc.texas.gov/entrepreneurs/.

Disregarded Entities

An entity's treatment for federal income tax purposes does not determine its responsibility for Texas franchise tax. Therefore, partnerships, LLCs and other entities that are disregarded for federal income tax purposes are considered separate legal entities for franchise tax reporting purposes. The separate entity is responsible for filing its own franchise tax report unless it is a member of a combined group. If the entity is a member of a combined group, the reporting entity for the group may elect to treat the entity as disregarded and will not unwind its operations from its "parent" entity. In this instance, it will be presumed that both the "parent" entity and the disregarded entity have nexus in Texas for apportionment purposes only. Whether or not the entity is disregarded for franchise tax, it must be listed separately on the affiliate schedule. Additionally, if the disregarded entity is organized in Texas or has physical presence in Texas, it will be required to file the appropriate information report (Form 05-102 or 05-167).

Margin

Unless a taxable entity qualifies and chooses to file using the EZ computation or No Tax Due Report, the tax base is the taxable entity's margin and is computed in one of the following ways:

- Total Revenue times 70%
- Total Revenue minus Cost of Goods Sold (COGS)
- Total Revenue minus Compensation
- Total Revenue minus $1 million.

Note: Not all entities will qualify to use COGS to compute margin. See instructions for Item 11. Cost of goods sold (COGS) on page 16 for more information.

Tax Rates

The franchise tax rates for reports originally due on or after Jan. 1, 2016:

- 0.75% (0.0075) for most entities
- 0.375% (0.00375) for qualifying wholesalers and retailers
- 0.331% (0.00331) for those entities with $20 million or less in annualized total revenue using the EZ computation.

Qualifying retailers and wholesalers are entities that are primarily engaged in retail and/or wholesale trade. Retail trade means the activities described in Division G of the 1987 Standard Industrial Classification (SIC) manual; apparel rental activities classified in Industry 5999 or 7299 of the SIC manual; activities classified as SIC Industry Group 753 (Automotive Repair Shops); activities involving the rental or leasing of tools, party and event supplies, and furniture under SIC Code 7359; heavy construction equipment rental or leasing activities under SIC Code 7353; and rental-purchase agreement activities regulated by Chapter 92, Business & Commerce Code. Wholesale trade means the activities described in Division F of the 1987 SIC manual. (The 1987 SIC manual is available online at www.osha.gov/pls/imis/sicsearch.html.)

An entity is primarily engaged in retail and/or wholesale trade 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 trades;
2) except for eating and drinking places as described in Major Group 58 of Division G, less than 50% of the total revenue from activities in retail and 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; and
3) the taxable entity does not provide retail or wholesale utilities, including telecommunications services, electricity or gas.

Note: A product is not considered to be produced if modifications made to the acquired product do not increase its sales price by more than 10%.

Annualized Total Revenue

To determine an entity's eligibility for the $1,130,000 no tax due threshold and qualification for the EZ computation, an entity must annualize its total revenue if the period upon which the report is based is not equal to 12 months.

Note: The amount of total revenue used in the tax calculations will NOT change as a result of annualizing revenue. Total revenue will equal the prescribed amounts for the period upon which the tax is based.

To annualize total revenue, divide total revenue by the number of days in the period upon which the report is based, and multiply the result by 365.

Example: A taxable entity's 2019 franchise tax report is based on the period 09-15-2018 through 12-31-2018 (108 days), and its total revenue for the period is $400,000. The taxable entity's annualized total revenue is $1,351,852 ($400,000 divided by 108 days multiplied by 365 days). Based on its annualized total revenue, the taxable entity would NOT qualify for the $1,130,000 no tax due threshold, but is eligible to file using the EZ computation. The entity will report $400,000 as total revenue for the period.

Estimated Tax

Texas law does not require the filing of estimated tax reports or payments.

Minimum Franchise Tax

There is no minimum tax requirement under the franchise tax provisions. An entity that calculates an amount of tax due that is less than $1,000 or that has annualized total revenue less than or equal to $1,130,000 is not required to pay any tax. (See note for tiered partnership exception.) The entity, however, must submit all required reports to satisfy its filing requirements.

If an entity meets the $1,130,000 no tax due threshold, it may file a No Tax Due Report (Form 05-163).

Note: A tiered partnership election is not allowed if the lower tier entity, before passing total revenue to the upper tier entities, has $1,130,000 or less in annualized total revenue or owes less than $1,000 in tax. If the election is allowed and revenue is passed, both the upper and lower tier entities will owe any amount of tax that is calculated as due even if the amount is less than $1,000 or annualized total revenue after the tiered partnership election is $1,130,000 or less.

EZ Computation

Entities with $20 million or less in annualized total revenue may choose to file using the EZ Computation Report (Form 05-169).

Combined groups are eligible for the EZ computation method. Upper and lower tier entities, when the tiered partnership election has been made, will qualify for the EZ computation method only if the lower tier entity would have qualified for the EZ computation method before passing total revenue to the upper tier entities.

Entities using the EZ computation method forego any credits for that report year, including the temporary credit for business loss carryforwards.

The franchise tax rate for entities choosing to file using the EZ computation method is 0.331% (0.00331). No margin deduction (COGS, compensation, 70% of revenue or $1 million) is allowed when choosing the EZ computation method.

Due Dates

If the due date (original or extended) of a report falls on a Saturday, Sunday or legal holiday included on the list published before Jan. 1 of each year in the Texas Register, the due date will be the next business day.

Annual Reports

Due Date

An annual report is due May 15 of each report year.

Report Year

The year in which the franchise tax report is due. The 2019 annual report is due May 15, 2019.

Accounting Period

Accounting Year Begin Date:
Enter the day after the end date on the previous franchise tax report. For example, if the 2018 annual franchise tax report had an end date of 12-31-17, then the begin date on the 2019 annual report should be 01-01-18.

For entities that became subject to the tax in 2018, enter the date the entity became subject to the tax.

Accounting Year End Date:
Enter the last accounting period end date for federal income tax purposes in the year before the year the report is originally due.

Entities that became subject to the tax during the 2018 calendar year and have a federal accounting year end date that is prior to the date the entity became subject to the tax, will use the day they became subject to the franchise tax as the accounting year end date on the first annual report. This results in a zero report.

Example: An entity became subject to the tax on 10-05-18. The entity's federal accounting year end date is 08-31. Since the federal accounting year end date of 08-31-18 is prior to the date the entity first became subject to the tax, both the accounting period begin and end date on the 2019 annual report will be 10-05-18. This results in a zero report. On the 2020 annual report, the entity will file with an accounting period 10-05-18 through 08-31-19.

Combined Groups

For the period that a combined group exists, the combined group will file only annual reports. A taxable entity will only be included in a combined group report for the accounting period in which it belongs to the combined group. For any accounting period that an entity is not part of a combined group, the entity must file a separate report.

Final Reports

An entity, other than a member of a combined group, that ceases doing business in Texas for any reason (i.e., termination, withdrawal, merger, etc.) is required to file a final franchise tax report (Forms 05-158-A and 05-158-B, 05-163 or 05-169) and pay any additional tax, if due.

Due Date

A final report is due 60 days after the entity ceases doing

business in Texas.

Note: A Public Information Report or an Ownership Information Report is not required to be filed with the final report.

Accounting Period
Accounting Year Begin Date:
The day after the end date on the previous franchise tax report.

Accounting Year End Date:
The date the taxable entity ceases doing business in Texas. For a Texas entity, the end date is the effective date of termination, merger or conversion into a nontaxable entity. For a non-Texas entity, the end date is the date the entity ceases doing business in Texas.

Example: A Texas entity filed a 2019 annual franchise tax report using a 12-31-18 accounting year end date. The entity wants to end its existence on 08-03-19. To obtain a certificate of account status for termination, the entity must file a final report and pay tax for the accounting period from 01-01-19 through 08-03-19. If the entity is not terminated until 08-16-19, the entity must file an amended final report. The amended final report is due the 60th day after 08-16-19, the date the entity terminated.

Taxable entities must satisfy all tax requirements or state in the appropriate articles which entity will be responsible for satisfying all franchise tax requirements before they may terminate legal existence in Texas. All documents required by the Texas Secretary of State (SOS) to terminate legal existence in Texas must be received in that office before 5:00 p.m. on Dec. 31 to avoid liability for the next annual franchise tax report. If Dec. 31 falls on a weekend, the documents must be received by 5:00 p.m. on the last working day of the year. Postmark dates will not be accepted. You may refer to www.comptroller.texas.gov/taxes/franchise/reinstate-terminate.php for more information on filing requirements. This section does not apply to financial institutions.

Non-Texas entities that have not registered with the SOS office, but have been doing business in Texas, must satisfy all franchise tax requirements to end their responsibility for franchise tax. The entity must notify the Comptroller's office in writing and include the date the entity ceased doing business in Texas.

Combined Groups
If every member of a combined group ceases doing business in Texas, a final combined report must be filed and paid. To receive clearance from the Comptroller for termination, cancellation, withdrawal or merger, Form 05-359 must also be filed. In all other cases, for the period a combined group exists, the combined group will file only annual reports.

A member of a combined group that ceases doing business in Texas will not file a final report. The data that would have been reported on the final report will be included in the combined group's annual report for the corresponding accounting period. Form 05-359 must be filed to end that member's filing responsibility and to identify the reporting entity of the combined group.

An entity that joins a combined group, and then ceases doing business in Texas in the accounting year that would be covered by a final report, is required to file a final report for the data from the accounting year begin date through the date before it joined the combined group. The period beginning with the date the entity joined the combined group through the date the entity ceased doing business in Texas will be reported on the combined group's annual report for the corresponding period.

A member of a combined group that leaves the combined group, and then ceases doing business in Texas during the accounting year that would be covered by a final report, is required to file a final report for the data from the date the entity left the combined group through the date that the entity ceased doing business in Texas.

Change in Accounting Period

Texas law does not provide for the filing of short period franchise tax reports. A change in a federal accounting period or the loss of a federal filing election does not change the begin and end dates of an accounting period for franchise tax reporting purposes. The keys to the period upon which the tax is based are the begin and end dates. The begin date will be the day after the end date on the prior franchise tax report, and the end date will be the last federal tax accounting period end date in the year prior to the year in which the report is originally due. Therefore, a change in a federal accounting period may result in an accounting period on the franchise tax report of more or less than 12 months.

Example 1: A fiscal year entity changes its accounting year end from 09-30-18 to a calendar year end of 12-31-18. Because of the change in the federal accounting period, the entity is required to file a short period federal return covering the period 10-01-18 through 12-31-18. For franchise tax reporting purposes, the entity would file its 2019 report based on the period 10-01-17 through 12-31-18, combining the relevant information from the two federal income tax reports.

Example 2: A calendar year entity lost its S-Corp election under the Internal Revenue Code on June 27, 2018. As a result, the entity was required to file a short period federal S return for the period 01-01-18 through 06-27-18. The entity did not change its accounting year end and filed a second short period federal return for the period 06-28-18 through 12-31-18. For franchise tax reporting purposes, the entity would include the period 01-01-18 through 12-31-18 on its 2019 annual report and would combine the relevant information from the two federal reports.

Extension of Time to File (Non-EFT)

Please see extension requirements for combined reports and electronic funds transfer (EFT) payors in the respective sections of these instructions.

If an entity cannot file its annual report, including the first annual report, by the original due date, it may request an extension of time to file the report. If granted, the extension for a non-EFT payor will be through Nov. 15, 2019. The extension payment must be at least 90% of the tax that will be due with the report or 100% of the tax reported as due on the prior franchise tax report (provided the prior report was filed on or before May 14, 2019). The extension request must be made using Webfile or Form 05-164 and must be postmarked on or before May 15, 2019. If a timely filed extension request does not meet the payment requirements, the due date reverts back to May 15, 2019, and penalty and interest will apply to any part of the 90% not paid by May 15, 2019, and to any part of the 10% not paid by Nov. 15, 2019.

A taxable entity that became subject to the franchise tax during 2018 may not use the 100% extension option.

An entity that was included as an affiliate on a 2018 combined group report may not use the 100% extension option if filing as a separate entity in 2019.

Note: A combined group must file the Extension Request (Form 05-164) and an Extension Affiliate List (Form 05-165) to have a valid extension for all members of the group.

Electronic Funds Transfer (EFT)

Taxable entities that remitted $10,000 or more in franchise tax payments during the preceding state fiscal year (Sept. 1 through Aug. 31) are required to electronically transmit franchise tax payments to the Comptroller's office for the subsequent calendar year. Additional information about EFT requirements are outlined in Rule 3.9 concerning electronic filing and electronic fund transfers.

The Schedule of Electronic Funds Transfer Due Dates (Form 00-843) is available at www.comptroller.texas.gov/forms/00-843.pdf

The extended due date for mandatory EFT payors is different from that of other franchise taxpayers. An EFT payor may extend the filing date from May 15, 2019, to Aug. 15, 2019 by timely making an extension payment electronically using TEXNET (tax type code 13080 Franchise Tax Extension) or Webfile. Mandatory EFT payors must remit at least 90% of the tax that will be due with the report, or 100% of the tax reported as due on the prior franchise tax report provided the prior year's report was filed on or before May 14, 2019.

An EFT payor may request a second extension to Nov. 15, 2019, to file the report by paying electronically before Aug. 15, 2019, the balance of the amount of tax that will be reported as due on Nov. 15, 2019, using TEXNET (tax type code 13080 Franchise Tax Extension), Webfile or by submitting a paper Extension Request (Form 05-164) if the entity has paid all of the tax due with its first extension.

For payments of $25,000 or less, a payor has until 10:00 a.m. (CT) on the due date to initiate the transaction in the TEXNET System. Payments above $25,000 must be initiated in the TEXNET System by 8:00 p.m. (CT) on the business day before the due date. For more information, go to www.comptroller.texas.gov, and click on the TEXNET link.

If an online extension payment is made, the taxable entity should NOT submit a paper Extension Request (Form 05-164).

Combined Groups

If any one member of a combined group receives notice that it is required to electronically transfer franchise tax payments, then the combined group is required to electronically transfer payments and comply with the EFT rules. The payment must be remitted as discussed previously; however, the combined group must also submit an Extension Affiliate List (Form 05-165) to the Comptroller's office for the first extension request. Do not resubmit an Extension Affiliate List when filing for the second extension request. It is the responsibility of the taxpayer to monitor their electronically submitted reports and payments through their software providers to ensure successful transmission. Questions about the software provider's products should be directed to the provider of the software.

Penalties and Interest

Late Filing Penalties

Taxpayers will be assessed a $50 penalty when a report is filed late. The penalty will be assessed regardless of whether the taxpayer subsequently files the report or any tax is due for the period covered by the late-filed report. This $50 penalty is due in addition to any other penalties assessed for the reporting period.

Additionally, a penalty of 5% of the tax due will be imposed on an entity that fails to pay the tax when due. If the entity fails to pay the tax within 30 days after the due date, an additional 5% penalty will be imposed.

Delinquent taxes accrue interest beginning 60 days after the date the tax is due. The interest rate to be charged is the prime rate plus 1%, as published in The Wall Street Journal on the first day of each calendar year that is not a Saturday, Sunday or legal holiday.

Late EFT payments are subject to the same penalties noted above. Also, failure to follow the EFT requirements could result in an additional 5% penalty being assessed.

Forfeiture

If an entity does not file its franchise tax report and required information report and/or does not pay tax, penalty or interest due within 45 days of the due date, its powers, rights and right to transact business in Texas may be forfeited. Entities that fail to file or pay within 120 days of the forfeiture of the right to transact business are subject to having their registration forfeited.

Upon the forfeiture of the right to transact business, the

officers and directors of the entity become personally liable for each debt of the entity that is created or incurred in this state after the due date of the report and/or tax and before the privileges are restored. Texas Tax Code Section 171.255.

Combined Reporting

Taxable entities that are part of an affiliated group engaged in a unitary business must file a combined group report in lieu of individual reports. The combined group is a single taxable entity for purposes of calculating franchise tax due and completing the required tax reports.

An affiliated group is a group of entities (with or without nexus in Texas) in which a controlling interest (more than 50%) is owned by a common owner(s), either corporate or noncorporate, or by one or more of the member entities.

An affiliated group can include:
- pass-through entities, including partnerships;
- limited liability companies taxed as partnerships under federal law;
- S corporations; and
- disregarded entities under federal law.

A combined group cannot include:
- taxable entities that conduct business outside the United States if 80% or more of the taxable entity's property and payroll are assigned to locations outside the United States (See Texas Tax Code Section 171.1014(a) for more details);
- new veteran-owned businesses (See the section on New Veteran-Owned Businesses);
- entities exempt under Chapter 171, Subchapter B; or
- passive 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. All affiliated entities are presumed to be engaged in a unitary business.

See franchise tax Rule 3.590 for more detailed information on combined reporting.

Reporting Entity

The combined group's choice of an entity that is:
1. the parent entity, if it is a part of the combined group, or
2. an entity that is included within the combined group, is subject to Texas' taxing jurisdiction, and has the greatest Texas business activity during the first period upon which the first combined group report is based, as measured by the Texas receipts after eliminations for that period.

The reporting entity must file a combined report on behalf of the group together with all schedules required by the Comptroller. The reporting entity **should change only** when the entity (other than the parent) is no longer subject to Texas' jurisdiction to tax or the reporting entity is no longer a member of the combined group. The same entity cannot be the reporting entity for more than one report for a reporting period.

Combined Report

A combined group must include all taxable entities in the combined report even if, on a separate entity basis, the member has $1,130,000 or less in total revenue. The combined group may; however, qualify for the No Tax Due Report if the annualized total revenue of the combined group is $1,130,000 or less.

A combined group may qualify to use the EZ computation if its combined annualized total revenue is $20 million or less.

Unless a combined group qualifies and chooses to file the No Tax Due Report or the EZ Computation Report, the combined group's margin is computed in one of the following ways:
- Total Revenue times 70%
- Total Revenue minus Cost of Goods Sold (COGS)**
- Total Revenue minus Compensation
- Total Revenue minus $1 million

***If the entity has qualifying costs. See instructions for Item 11. Cost of goods sold (COGS) on page 16 for more information.*

A combined group may choose only one method for computing margin that applies to all members of the combined group.

A combined group must look at the total revenue of the group to determine the applicable tax rate. If the combined group's revenue from retail and/or wholesale activities is greater than the revenue from all other activities, then the group may qualify as a retailer and/or wholesaler and may use the 0.375% (0.00375) tax rate as long as it meets all the criteria specified, except as provided below. See Tax Rates, page 3.

A combined group may not include taxable entities that provide retail or wholesale electric utilities, if:
- the taxable entity's activity disallows the combined group from qualifying for the retailer or wholesaler tax rate; and
- the taxable entity's or entities' total revenue is less than five percent of the total revenue for the combined group.

Accounting Period of the Combined Group

The combined group's accounting period is generally determined as follows:
- if two or more members of a group file a federal consolidated return, the group's accounting period is the federal tax period of the federal consolidated group;
- in all other cases, the accounting period is the federal tax period of the reporting entity.

See the accounting period begin and end date requirements in the annual and final report sections.

The accounting year begin and end dates entered on page 1 of the franchise tax report must reflect the full accounting

period on which the combined group report is based.

If the federal tax period of a member differs from the federal tax period of the 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.

Note: The affiliates' accounting year begin and end dates on the affiliate schedule must be within the accounting year begin and end dates entered on page 1 of the franchise tax report. For example, a combined group selects a newly formed entity (formed 07-01-2018) as the reporting entity. The combined group's franchise tax report is based on the accounting period 01-01-2018 through 12-31-2018. On page 1 of the franchise tax report, the accounting year begin date is 01-01-2018, and the accounting period end date is 12-31-2018. On the affiliate schedule, the newly formed entity will be listed with an accounting year begin date of 07-01-2018 and an accounting year end date of 12-31-2018.

Newly Formed or Acquired Entities

When a combined group acquires or forms another taxable entity during the period upon which the combined group's report is based, it will be presumed that the newly acquired or formed entity is unitary and will be included in the combined filing. The presumption is rebuttable.

See the annual and final report sections of these instructions for additional information.

Combined Total Revenue

A combined group must determine its total revenue by:

1. calculating the total revenue of each of its members as if the member were an individual taxable entity without regard to the $1,130,000 no tax due threshold (See instructions for Items 1-9 on Form 05-158-A to compute total revenue on an individual entity basis.);
2. adding together the total revenues of the members determined under (1); and
3. subtracting, to the extent included in (2), items of total revenue received from a member of the combined group.

Combined Cost of Goods Sold (COGS)

A combined group that elects to subtract COGS must determine that amount by:

1. calculating the COGS for each of its members as if the member were an individual taxable entity (See instructions for Items 11-13 on Form 05-158-A to compute COGS on an individual entity basis.);
2. adding together the amounts of COGS determined under (1); and
3. subtracting from the amount determined under (2) any COGS amounts paid from one member of the combined group to another member of the combined group, but only to the extent the corresponding item of total revenue was subtracted.

Note: COGS amounts may be computed ONLY for those affiliates that have eligible COGS deductions. See instructions on page 16 for more information.

Combined Compensation

A combined group that elects to subtract compensation must determine that amount by:

1. calculating the compensation for each of its members as if each member were an individual taxable entity (See instructions for Items 15-17 on Form 05-158-A to compute compensation on an individual entity basis.);
2. adding together the amounts of compensation determined under (1); and
3. subtracting from the amount determined under (2) any compensation amounts paid from one member of the combined group to another member of the combined group, but only to the extent the corresponding item of total revenue was subtracted.

If any employee, officer, director, etc. is paid by more than one member of the combined group, that individual's compensation is capped at $370,000 per 12-month period upon which the report is based when computing the compensation deduction for the group.

Combined $1 Million Deduction

A combined group that elects to subtract $1 million to determine margin is allowed $1 million for the combined group as a whole, not for each member of the group.

Combined Apportionment

Texas gross receipts of a combined group include only receipts for entities within the group that are organized in Texas or that have nexus in Texas. Receipts from transactions between members that are excluded from revenue may not be included in Texas gross receipts. However, Texas gross receipts will include certain sales of tangible personal property made to third party purchasers if the tangible personal property is ultimately delivered to a purchaser in Texas without substantial modification. For example, drop shipments made by a member of a combined group from a Texas location to a Texas purchaser would be included in Texas receipts based on the amount billed to the third party purchaser if the seller is also a member of the combined group and the seller does not have nexus.

Gross receipts everywhere 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 gross receipts everywhere.

Note: A net loss from the sale of all investments and capital assets is not included in gross receipts everywhere and a net loss from all Texas-sourced sales of investments and capital assets is not included in Texas receipts. For a combined group, all gains and losses from the sale of investments and capital assets for all members of the combined group are added together to determine the net gain or net loss. See franchise tax Rule 3.591 for more detailed information on apportioning receipts.

Additional Reporting Requirement for Combined Groups with Temporary Credit
The reporting entity of a combined group with a temporary credit for business loss carryforward preserved for itself and/or its affiliates must submit a Common Owner Information Report (Form 05-177) by the due date of the report. This information must be submitted to satisfy franchise tax filing requirements, even if the combined group is not claiming the credit on the current year's report. Submit the Common Owner Information Report before or with your franchise tax report to prevent processing delays. If you submit the Common Owner Information Report after you file your report, it will NOT immediately process to your account.

Combined Extensions
A combined group must timely submit Forms 05-164 and 05-165 along with the required payment to request an extension of time to file its report. See the Extensions and EFT sections of this booklet for additional information.

Liability for the Tax
Each taxable entity identified on the Affiliate Schedule (Form 05-166) is jointly and severally liable for the franchise tax of the combined group [Texas Tax Code, Sec. 171.1014(i)]. Notice of any such tax liability must be sent to the reporting entity at the address listed on the report and must be deemed sufficient and adequate notice of such liability to each member of the combined group. Separate notice to each member is not required.

Tiered Partnership Election

A "tiered partnership arrangement" means an ownership structure in which any of the interests in one taxable entity treated as a partnership or an S corporation for federal income tax purposes (a "lower tier entity") are owned by one or more other taxable entities (an "upper tier entity"). A tiered partnership arrangement may have two or more tiers. The tiered partnership election, under Texas Tax Code Section 171.1015, is not mandatory; it is a filing option for entities in a tiered partnership arrangement.

The tiered partnership election is not an alternative to combined reporting. Combined reporting is mandatory for taxable entities that meet the ownership and unitary criteria. Therefore, the tiered partnership election is not allowed if the lower tier entity is included in a combined group.

Additionally, the tiered partnership election is not allowed if the lower tier entity, before passing total revenue to the upper tier entities owes no tax.

The tiered partnership election allows the lower tier entity to pass its total revenue to its upper tier entities. The upper tier entities then report this passed revenue with their own total revenue. It is important to note that this election does not allow the lower tier entity to pass its margin deduction (COGS, compensation, 70% of revenue or $1 million) to the upper tier entities.

The requirements for filing under the tiered partnership election are:

- All taxable entities involved in the tiered partnership election must file a franchise tax report, a Public Information Report (Form 05-102) or Ownership Information Report (Form 05-167), and the Tiered Partnership Report (Form 05-175).
- Both the upper and the lower tier entities must blacken the tiered partnership election circle on their tax reports.
- Total revenue may be passed only to upper tier entities that are subject to the Texas franchise tax.
- Total revenue must be passed to upper tier taxable entities based on ownership percentage.
- Margin deductions (COGS, compensation, 70% of revenue or $1 million) may not be passed to upper tier entities.
- The upper and lower tier entities may use the EZ Computation (Form 05-169) only if the lower tier entity has $20 million or less in annualized total revenue before total revenue is passed to the upper tier entities.
- The upper tier entities are not eligible to file a No Tax Due Report (Form 05-163).

Both the upper and lower tier entities will owe any amount of tax that is calculated as due even if the amount is less than $1,000 or annualized total revenue after the tiered partnership election is $1,130,000 or less.

If the upper and lower tier entities have different accounting periods, the upper tier entity must allocate the total revenue reported from the lower tier entity to the accounting period on which the upper tier entity's report is based.

Credits

2008 Temporary Credit for Business Loss Carryforwards
Each eligible taxable entity must have preserved its right to take the credit with the Comptroller's office on or before the due date of its 2008 report.

A taxable entity that is a combined group is allowed to take a credit for eligible members of the combined group (i.e., the member was subject to the franchise tax on May 1, 2006, and preserved the right to take the credit). If a combined group member leaves the combined group during the a tax period, the original combined group may claim the departing member's entire amount of credit and the member's entire available credit carryover for that report year. For subsequent reports, the departed member's credit will no longer be available to the combined group, and the combined group's credit carryover must be adjusted to remove the portion of carryover related to the departed member.

See Rule 3.594 for additional information regarding this credit.

Economic Development Credits
A taxable entity that established a research and development credit on a franchise tax report originally due prior to Jan. 1, 2008, may claim any unused credit carried forward to offset the tax on margin.

Credit for Certified Rehabilitation of Certified Historic Structures

Effective for reports due on or after Jan. 1, 2015, a tax credit of up to 25 percent of eligible costs and expenses incurred in the certified rehabilitation of a certified historic structure placed in service on or after Sept. 1, 2013, is allowed.

To qualify for the historic structure credit, the owner must have an ownership interest in the structure during the calendar year the structure was placed in service and the total amount of eligible costs and expenses incurred must exceed $5,000.

The entity must first establish the credit with the Comptroller's office by submitting the Texas Historic Structure Credit Registration (Form AP-235), the Certificate of Eligibility issued by the Texas Historical Commission and an audited cost report. The Comptroller's office will issue the owner of the credit a Texas Historic Structure Credit Certificate (Form 05-901) to be included with any transactions involving the amount or ownership of the credit.

If an entity is eligible for a historic structure credit carryforward, the unused credit may be carried forward for not more than five consecutive years.

The historic structure credit may be taken on a franchise tax report only after all other credits available for that filing period have been applied, including carryforwards.

The historic structure credit may be sold, assigned, or allocated an unlimited number of times. The credit may only be allocated to partners, members or shareholders of a pass-through entity. If the credit is sold, assigned or allocated, Form 05-179 must be submitted to the Comptroller's office with the credit owner's Historic Structure Credit Certificate within 30 days of the transaction. Once the credit is processed as sold, assigned or allocated, the credit will be recalculated and all parties involved will receive a new Historic Structure Credit Certificate to reflect a credit balance or letter of explanation for credit accounts with zero balance.

Research and Development Activities Credits

A taxable entity is eligible for a franchise tax credit for performing qualified research and incurring qualified research expenses from activities conducted in Texas. "Qualified research" and "qualified research expense" are defined by Section 41 of the Internal Revenue Code.

An increased amount of credit is allowed for taxable entities that contract with public or private institutions of higher education for the performance of qualified research and have qualified research expenses incurred in Texas under the contract during the period on which the report is based.

A taxable entity is not eligible for the franchise tax credit if the taxable entity, or any member of its combined group, received a sales tax exemption under Texas Tax Code Section 151.3182 during the period on which the franchise tax is based.

Amended Reports

If an entity needs to amend a report, it must file all pages of the amended report along with a cover letter explaining the reason for the amendment. The entity must write "AMENDED" on the top of the report and submit the supporting documentation. If the amended report will result in a refund of taxes previously paid, the claim must comply with Texas Tax Code Section 111.104; the cover letter must state and detail each reason on which the claim is founded.

Additionally, if the claim is filed by someone other than the entity, a power of attorney must be provided. For combined groups, refunds can only be requested by the reporting entity. See Rule 3.584 for additional information.

Where to file

Reports and payments should be mailed to:

Texas Comptroller of Public Accounts
P.O. Box 149348
Austin, TX 78714-9348

If tax is due, and the taxable entity is not required to use EFT or does not submit payment online, make the check or money order payable to the Texas Comptroller. Write the Texas taxpayer number and the report year on the check or money order. Complete the Texas Franchise Tax Payment Form (Form 05-170).

Private Delivery Services

Texas law conforms to federal law regarding the use of certain designated private delivery services to meet the "timely mailing as timely filing/paying" rule for tax reports and payments. If a private delivery service is used, address the return to:

Texas Comptroller of Public Accounts
111 E. 17th St.
Austin, TX 78701-1334

Instructions for Completing Taxpayer Information Included on Texas Franchise Tax Forms

Taxpayer number:
Enter the Texas taxpayer number that has been assigned to your entity by the Comptroller's office. If you do not have an assigned number, enter your federal employer identification number (FEIN).

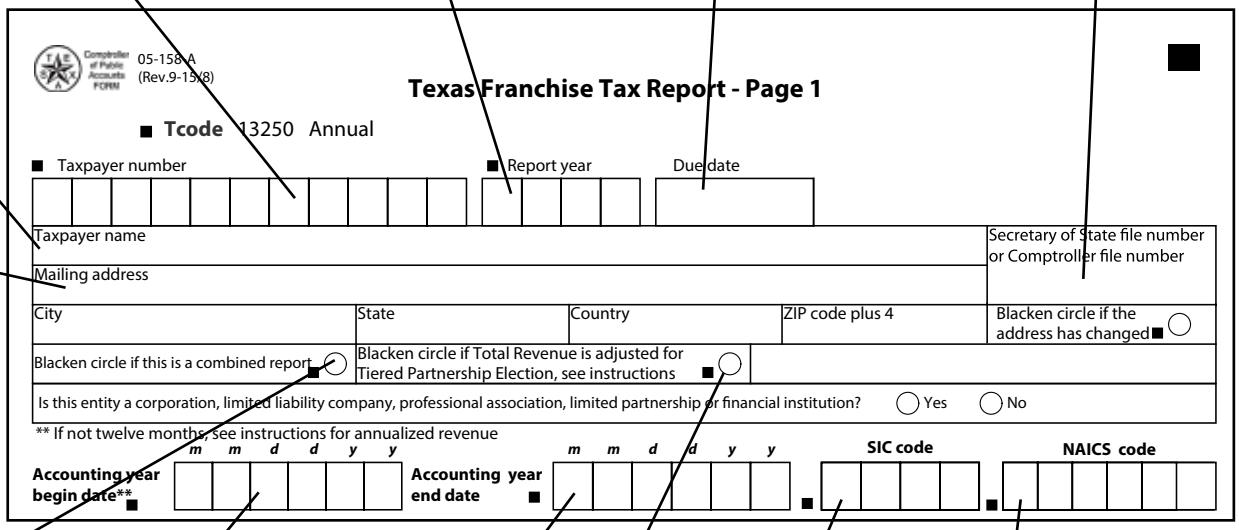
Report year:
The year the report is due.

Due date:
For annual filers, enter May 15, 2019. If you are filing a final report, enter the due date that was provided on the letter you received.

Secretary of State (SOS) file number or Comptroller file number:
The number assigned to the entity by the SOS or Comptroller.

Taxpayer name:
The legal name of the entity filing the report.

Mailing address:
The mailing address of the entity filing the report. If there is a change of address for this entity, please blacken the circle as indicated.



Combined Report:
If this report is being filed on behalf of an affiliated group of entities engaged in a unitary business, please blacken the circle accordingly.

Accounting year end date:
See the accounting year end date requirements in the annual and final report sections. Also see the accounting period information in the combined reporting section.

Accounting year begin date:
See the accounting year begin date requirements in the annual and final report sections. Also see the accounting period information in the combined reporting section.

Tiered Partnership:
If you are making a tiered partnership election and are the upper tier entity including revenue passed to you by the lower tier entity, or if you are the lower tier entity excluding revenue passed to an upper tier entity, blacken this circle and complete Form 05-175. Do not blacken this circle just because you own an interest in another entity.

SIC code:
This field determines the tax rate. Completion of the field is optional; however, if left blank, the tax rate will default to 0.75%. See "Tax Rates" on page 3 to determine if you qualify for the wholesale/retail tax rate and, if qualified, enter the appropriate wholesale or retail Standard Industrial Classification (SIC) code. Otherwise, enter a code that is appropriate for the taxable entity or the code that reflects the overall business activity of a combined group. The SIC codes are online at www.osha.gov/pls/imis/sicsearch.html.

NAICS code:
Enter the code that is appropriate for the taxable entity or the code that reflects the overall business activity of a combined group. The North American Industry Classification System (NAICS) codes are online at www.census.gov/eos/www/naics/.

Specific Line Instructions for Each Report Included in this Booklet

Form 05-102
Texas Franchise Tax Public Information Report

Filing Requirements: Each corporation, LLC, limited partnership, professional association and financial institution that has a franchise tax responsibility must file a Public Information Report (PIR) to satisfy their filing obligation. The PIR is due on the date the franchise tax report is due. The report must be completed and signed by an officer, director or other authorized person. A separate PIR is to be filed for each corporation, LLC, limited partnership, professional association and financial institution that files a separate franchise tax report or that is part of a combined group (unless the corporation, LLC, limited partnership, professional association or financial institution is not organized in Texas and does not have physical presence in Texas).

Even if the franchise tax report is filed and all taxes paid, the right to transact business may be forfeited for failure to file the completed and signed PIR. The effects of forfeiture include the denial of the entity's right to sue or defend in a Texas court, and each officer and director becomes personally liable for certain debts of the entity (Texas Tax Code Sections 171.251, 171.252 and 171.255). Forfeiture provisions do not apply to financial institutions (Texas Tax Code Sections 171.259 and 171.260).

Address changes can be indicated by blackening the circle after the Taxpayer name.

Changes to the registered agent or registered office must be filed directly with the Secretary of State, and cannot be made on this form. The changes can be made online or on forms downloaded from their website at www.sos.texas.gov/.

If there are no changes to the information in Section A of this report, then blacken the circle as indicated and complete Sections B and C. If no information is displayed or preprinted on this form, complete all applicable items.

Section A: Report the name, title and mailing address of each officer and director of the corporation, LLC, limited partnership, professional association, or financial institution as of the date the report is filed.

Domestic profit corporations and domestic professional corporations must list all officers, which must include the president and secretary and all directors. One person may hold all offices. Domestic non-profit corporations must list all officers. Different persons must hold the offices of president and secretary. There is a minimum of three directors. Domestic limited liability companies must list all managers and, if the company is member-managed, list all members. All officers, if any, must be listed. Non-Texas entities must list all officers and directors that are required by the laws of the state or country of incorporation or organization. Limited Partnerships must include all general partners.

Professional associations should report the members of their executive committee.

Sections B and C: Complete both sections as applicable for the entity for which this report is filed.

Processing, Accessing and Correcting Information Reported on the PIR:
Reports filed by Texas and Non-Texas corporations, LLCs, limited partnerships and professional associations registered with the Secretary of State (SOS) are sent to the SOS, as required by law.

After processing, officer and director information from the report is made available on the Comptroller's Franchise Account Status website, www.comptroller.texas.gov/taxes/franchise/coas-instructions.php. If the information is not available online, you may request a copy of the most recent PIR by contacting us at open.records@cpa.texas.gov, or write to:

Comptroller of Public Accounts
Open Records Section
P. O. Box 13528
Austin, TX 78711-3528

Changes to officer and director information that occur after the report is filed should be reported to the Comptroller on the next PIR the corporation, LLC, limited partnership, professional association, or financial institution is required to file. The Comptroller will not accept changes during the year, except as noted below.

An individual whose name was included on the report, but who was not an officer or director on the date the report was filed, may file a sworn statement to that effect with the Comptroller. A corporation, LLC, limited partnership, professional association, or financial institution that made an error on its PIR may file an amended PIR with a cover letter explaining the error.

Signature Block: Report must be signed by an officer, director or other authorized person. This includes a paid preparer authorized to sign the report.

Form 05-158-A
Texas Franchise Tax Report – Page 1

Filing Requirements: Any entity (including a combined group) that does not qualify to file using the EZ computation

or that does not have $1,130,000 or less in annualized total revenue (qualifying to file the No Tax Due Report) should file this report. If you are a passive entity or a new veteran-owned business, see the Passive Entities section on page 2 or New Veteran-Owned Businesses on page 2 for specific filing instructions.

Note: If a tiered partnership election is made and revenue is passed, both the upper and lower tier entities will owe any amount of tax that is calculated as due, even if the amount is less than $1,000 or annualized total revenue after the tiered partnership election is $1,130,000 or less.

The instructions for Items 1-7 and 9 below are for taxable entities that are filing as a separate entity and not as part of a combined group. A combined group should follow these specific instructions for each member of the group, creating a combinations and eliminations schedule, and then add across each item to determine the amounts that will be reported for the group. Intercompany eliminations should be reported on Item 9 as an exclusion from revenue.

The amounts referenced in the instructions presume that a separate federal income tax return was filed by each separate taxable entity. If a taxable entity was part of a federal consolidated return or was disregarded for federal tax purposes and is not being treated as disregarded in a combined group report for franchise tax purposes, report the amounts on Items 1-7 and 9 as if the entity had filed a separate return for federal income tax purposes.

The instructions for Items 11-13 and 15-17 below are also for taxable entities that are filing as a separate entity and not as part of a combined group. A combined group should follow these specific instructions for each member of the group, add across each item, and then subtract any intercompany eliminations to determine the amounts that will be reported. Eliminations may be made only to the extent that the related items of revenue were eliminated.

Before you begin

The line items indicated in this section refer to specific lines from the 2018 Internal Revenue Service (IRS) forms. The statute and administrative rules base total revenue on specific line items from the 2006 IRS forms and state that in computing total revenue for a subsequent report year, total revenue:

- **is based on the 2006 equivalent line numbers on any subsequent version of that form and**
- **is computed based on the Internal Revenue Code in effect for the federal tax year beginning on Jan. 1, 2007.**

The actual line numbers in the statute and rules are not updated to reflect subsequent changes in the federal form line numbering. Although the instructions are updated annually to reflect federal line numbering changes that affect total revenue, be aware that federal line numbers are subject to change throughout the year.

Item 1. Gross receipts or sales

- For a taxable entity filing as a corporation for federal tax purposes, enter the amount from Form 1120 line 1c.
- For a taxable entity filing as an S corporation for federal tax purposes, enter the amount from Form 1120S line 1c.
- For a taxable entity filing as a partnership for federal tax purposes, enter the amount from Form 1065 line 1c.
- For a taxable entity filing as a trust for federal tax purposes, enter the amount from Form 1040 Schedule C line 3.
- For a taxable entity that is a single member LLC filing as a sole proprietorship for federal tax purposes, enter the amount from Form 1040 Schedule C line 3.
- For a taxable entity filing a federal tax form other than those mentioned above, enter an amount that is substantially equivalent to the amounts discussed in this section.

Item 2. Dividends

- For a taxable entity filing as a corporation for federal tax purposes, enter the amount from Form 1120 line 4.
- For a taxable entity filing as an S corporation for federal tax purposes, enter the amount from Form 1120S Schedule K line 5a.
- For a taxable entity filing as a partnership for federal tax purposes, enter the amount from Form 1065 Schedule K line 6a.
- For a taxable entity filing as a trust for federal tax purposes, enter the amount from Form 1041 line 2a.
- To the extent dividends earned by the LLC are included for a taxable entity registered as a single member LLC and filing as a sole proprietorship for federal tax purposes, enter the amount associated with dividends from Form 1040 Schedule C line 6.
- For a taxable entity filing a federal tax form other than those mentioned above, enter an amount that is substantially equivalent to the amounts discussed in this section.

Item 3. Interest

- For a taxable entity filing as a corporation for federal tax purposes, enter the amount from Form 1120 line 5.
- For a taxable entity filing as an S corporation for federal tax purposes, enter the amount from Form 1120S Schedule K line 4.
- For a taxable entity filing as a partnership for federal tax purposes, enter the amount from Form 1065 Schedule K line 5.
- For a taxable entity filing as a trust for federal tax purposes, enter the amount from Form 1041 line 1.
- To the extent interest earned by the LLC is included for a taxable entity registered as a single member LLC and filing as a sole proprietorship for federal tax purposes, enter the amount associated with interest from Form 1040 Schedule C line 6.
- For a taxable entity filing a federal tax form other than those mentioned above, enter an amount that is substantially equivalent to the amounts discussed in this section.
- The amount reported must be zero or greater. We do not allow a negative amount on Item 3 of this report. The federal return lines that Texas franchise tax pulls from should only report interest income.

Item 4. Rents

- For a taxable entity filing as a corporation for federal tax purposes, enter the amount from Form 1120 line 6.
- For a taxable entity filing as an S corporation for federal tax purposes, enter the amount from Form 1025S Schedule K line 3a and the amount from Form 8825 lines 18a and 19.
- For a taxable entity filing as a partnership for federal tax purposes, enter the amount from Form 1065 Schedule K line 3a and the amount from Form 8825 line 18a.
- For a taxable entity filing as a trust for federal tax purposes, enter the amount from Form 1040 Schedule E line 23a.
- For a taxable entity that is a single member LLC filing as a sole proprietorship for federal tax purposes, enter the amount from Form 1040 Schedule E line 23a, to the extent that it relates to the LLC.
- For a taxable entity filing a federal tax form other than those mentioned above, enter an amount that is substantially equivalent to the amounts discussed in this section.

Note: Do not include in Item 4 net rental income (loss) passed through from a partnership or S corporation on IRS Form K-1; report this amount in Item 7. This amount must also be included in Item 9 when subtracting "net distributive income from a taxable entity treated as a partnership or as an S corporation for federal tax purposes."

Item 5. Royalties

- For a taxable entity filing as a corporation for federal tax purposes, enter the amount from Form 1120 line 7.
- For a taxable entity filing as an S corporation for federal tax purposes, enter the amount from Form 1120S Schedule K line 6.
- For a taxable entity filing as a partnership for federal tax purposes, enter the amount from Form 1065 Schedule K line 7.
- For a taxable entity filing as a trust for federal tax purposes, enter the amount from Form 1040 Schedule E line 23b.
- For a taxable entity that is a single member LLC filing as a sole proprietorship for federal tax purposes, enter the amount from Form 1040 Schedule E line 23b, to the extent that it relates to the LLC.
- For a taxable entity filing a federal tax form other than those mentioned above, enter an amount that is substantially equivalent to the amounts discussed in this section.

Item 6. Gains/losses

- For a taxable entity filing as a corporation for federal tax purposes, enter the amounts from Form 1120 line 8 (as long as the figure is zero or greater) and line 9.
- For a taxable entity filing as an S corporation for federal tax purposes, enter the amount from Form 1120S line 4 and Form 1120S Schedule K lines 7, 8a and 9.
- For a taxable entity filing as a partnership for federal tax purposes, enter the amount from Form 1065 line 6 and Form 1065 Schedule K lines 8, 9a and 10.
- For a taxable entity filing as a trust for federal tax purposes, enter the amount associated with gains/losses from Form 1041 lines 4 and 7.
- For a taxable entity that is a single member LLC filing as a sole proprietorship for federal tax purposes, enter the amount from Form 1040 Schedule D, to the extent that it relates to the LLC; and the amount from Form 4797 line 17, to the extent that it relates to the LLC.
- For a taxable entity filing a federal tax form other than those mentioned above, enter an amount that is substantially equivalent to the amounts discussed in this section.

Item 7. Other income

- For a taxable entity filing as a corporation for federal tax purposes, enter the amount from Form 1120 Line 10 to the extent not already included; and any total revenue passed from a lower tier entity under the tiered partnership election.
- For a taxable entity filing as an S corporation for federal tax purposes, enter the amount from Form 1120S line 5 and the amount from Form 1120S Schedule K to the extent not already included; and any total revenue passed from a lower tier entity under the tiered partnership election.
- For a taxable entity filing as a partnership for federal tax purposes, enter the amount from Form 1065 line 4 and line 7; the amount from Form 1065 Schedule K line 11, to the extent not already included; the amount from Form 1040 Schedule F line 9 plus line 1b, or Form 1040 Schedule F line 44; and any total revenue passed from a lower tier entity under the tiered partnership election.
- For a taxable entity filing as a trust for federal tax purposes, enter the amount from Form 1041 line 8 to the extent not already included; the amount from Form 1040 Schedule C line 6, that has not already been included; the amount from Form 1040 Schedule E line 32 and line 37; the amount from Form 1040 Schedule F line 9 plus line 1b, or Form 1040 Schedule F line 44; and any other and total revenue passed from a lower tier entity under the tiered partnership election.
- For a taxable entity that is a single member LLC filing as a sole proprietorship for federal tax purposes, enter the ordinary income or loss from partnerships, S corporations, estates and trusts from Form 1040 Schedule E, to the extent that it relates to the LLC; enter the amount from line 9 plus line 1b, or Form 1040 Schedule F line 44, to the extent that it relates to the LLC; enter the amount from Form 1040 Schedule C line 6, that has not already been included; and any total revenue passed from a lower tier entity under the tiered partnership election.
- For a taxable entity filing a federal tax form other than those mentioned above, enter an amount that is substantially equivalent to the amounts discussed in this section.

Item 8. Total gross revenue

Total the amounts entered on Items 1 through 7.

Item 9. Exclusions from gross revenue

Only the following items may be excluded from gross revenue. See Rule 3.587 for additional information.

Bad Debt Expense

- For a taxable entity filing as a corporation for federal tax purposes, enter the amount from Form 1120 line 15.
- For a taxable entity filing as an S corporation for federal tax purposes, enter the amount from Form 1120S line 10.

- For a taxable entity filing as a partnership for federal tax purposes, enter the amount from Form 1065 line 12.
- For a taxable entity registered as a single member LLC and filing as a sole proprietorship for federal tax purposes, enter the amount associated with bad debt expense from Form 1040 Schedule C line 27.
- For a taxable entity filing as a trust for federal tax purposes, enter the amount associated with bad debt expense from Form 1041 line 15a.
- For a taxable entity filing a federal tax form other than those mentioned above, enter an amount that is substantially equivalent to the amounts discussed in this section.

Foreign Dividends and Foreign Royalties
Enter the amount of foreign royalties and foreign dividends, including amounts reported under Section 78 or Sections 951-964, Internal Revenue Code, to the extent included in gross revenue.

Net Distributive Income
A taxable entity's pro rata share of net distributive income from another taxable entity treated as a partnership or as an S corporation for federal income tax purposes. Net distributive income for the calculation of total revenue is the net amount of income, gain, deduction or loss of the pass-through entity that is included in the federal taxable income of the taxable entity. (If this amount is negative, it will be added in computing total revenue.)

A taxable entity that owns an interest in a passive entity must not enter an amount on this item to deduct the taxable entity's share of the net income of the passive entity unless the income was included in the computation of the total revenue of another taxable entity. See Rule 3.587.

Note: For an upper tier entity using the tiered partnership election, the total revenue passed by the lower tier entity to the upper tier entity cannot be deducted as net distributive income.

Schedule C Dividends Received
For a taxable entity reporting a Schedule C dividends received deduction, enter the amount reported on Form 1120 line 29b to the extent the relating dividend income is included in gross revenue.

Revenue from Disregarded Entities
A taxable entity may exclude, to the extent included in gross revenue (Items 1-7 above), its share of income directly attributable to another entity that is treated as disregarded for federal income tax purposes but that is not treated as disregarded in a combined group report for franchise tax purposes. A taxable entity cannot exclude its share of income directly attributable to another entity that is treated as disregarded for federal income tax purposes and is treated as disregarded in a combined group report for franchise tax reporting purposes.

Flow-through Funds
To the extent included in gross revenue:
- A taxable entity may exclude an amount for flow-through funds mandated by: (1) law, (2) fiduciary duty or (3) contract or subcontract (limited to sales commissions to non-employees, the tax basis of securities underwritten, and a taxable entity's flow-through payments to subcontractors to provide services, labor or materials in connection with the design, construction, remodeling, remediation or repair of improvements on real property or the location of boundaries to real property);
- A taxable entity that provides legal services may exclude an amount equal to 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;
  - funds subject to a subrogation interest or other third-party contractual claim;
  - fees paid to another attorney not within the same taxable entity;
  - reimbursement of case expenses; and
  - $500 per case for providing pro bono legal services.
- A taxable entity may exclude the tax basis of securities and loans sold as determined under the Internal Revenue Code.

Dividends and Interest from Federal Obligations
Enter the amount of dividends and interest from federal obligations to the extent included in gross revenue. See Rule 3.587(b).

Other Exclusions
- A taxable entity that qualifies as a lending institution may enter an amount equal to the principal repayment of loans.
- A taxable entity that is a professional employer organization may enter an amount equal to payments received from a client for wages, payroll taxes, employee benefits and workers' compensation benefits for the covered employees. A professional employer organization cannot exclude payments received from a client for payments made to independent contractors assigned to the client and reportable on Internal Revenue Service Form 1099.
- A taxable entity that is a pharmacy cooperative may exclude flow-through funds from rebates from pharmacy wholesalers that are distributed to the pharmacy cooperative's shareholders.
- A taxable entity that is a health care provider may enter 100% of revenues (including copayments, deductibles and coinsurance) from Medicaid, Medicare, CHIP, workers' compensation claims and TRICARE, and actual costs for uncompensated care. Healthcare institutions may enter only 50% of these exclusions. See Texas Tax Code Section 171.1011(p)(2) for the definition of a healthcare institution. To calculate the cost of uncompensated care, see Rule 3.587(b)(1).
- A taxable entity that is a management company may enter an amount equal to reimbursements of specified costs incurred in its conduct of the active trade or business of a managed entity.
- A taxable entity may enter amounts received that are directly derived from the operation of a facility that is located on property owned or leased by the federal

government and managed or operated primarily to house members of the armed forces of the United States.

- A taxable entity that is a qualified live event promotion company may exclude from revenue a payment made to an artist in connection with the provision of a live entertainment event or live event promotion services.
- A taxable entity that is a qualified courier and logistics company may exclude from revenue subcontracting payments made by the taxable entity to nonemployee agents for the performance of delivery services on behalf of the taxable entity.
- A taxable entity that is a pharmacy network may exclude reimbursements, pursuant to contractual agreements, for payments to pharmacies in the pharmacy network.
- A taxable entity that is primarily engaged in the business of transporting aggregates may exclude subcontracting payments made by the taxable entity to independent contractors for delivery services performed on behalf of the taxable entity.
- A taxable entity primarily engaged in the business of transporting barite may exclude subcontracting payments made by the taxable entity to nonemployee agents for transportation services performed on behalf of the taxable entity.
- A taxable entity primarily engaged in the business of performing landman services may exclude subcontracting payments made by the taxable entity to nonemployees for the performance of landman services on behalf of the taxable entity.
- A taxable entity may exclude the actual cost paid by the taxable entity for a vaccine.
- A taxable entity primarily engaged in the business of transporting goods by waterways that does not subtract the cost of goods sold in computing its taxable margin may exclude direct costs of providing transportation services by intrastate or interstate waterways to the same extent that a taxable entity that sells in the ordinary course of business real or tangible personal property would be authorized by Texas Tax Code Section 171.1012 to subtract those costs as COGS in computing its taxable margin, notwithstanding Texas Tax Code Section 171.1012(e)(3).
- A taxable entity that is registered as a motor carrier under Transportation Code, Chapter 643 may exclude flow-through revenue derived from taxes and fees.
- A taxable entity primarily engaged in the business of providing services as an agricultural aircraft operation may exclude the cost of labor, equipment, fuel and materials used in providing those services.

Intercompany eliminations – combined reports
To the extent included in total revenue, subtract items of total revenue received from members of the combined group.

Tiered partnership election
For a lower tier entity that makes the tiered partnership election, enter the total revenue passed to the upper tier entities.

Item 10. Total revenue
Item 8 minus Item 9. If less than zero, enter zero. If the annualized total revenue is less than or equal to $1,130,000, and the entity is not an upper or lower tier entity making the tiered partnership election, stop here and file Form 05-163, No Tax Due Report. If the annualized total revenue is $20 million or less, the entity may choose to file using the EZ Computation (Form 05-169).

Note: The tiered partnership election is not allowed if the lower tier entity, before passing total revenue to the upper tier entities, owes no tax. An upper or lower tier entity making a tiered partnership election qualifies to use the EZ computation only if the lower tier entity would have qualified for the EZ computation before passing total revenue to the upper tier entities.

Item 11. Cost of goods sold (COGS)

Note: A taxable entity will have eligible COGS ONLY if the taxable entity sells real or tangible personal property in the ordinary course of business OR if the taxable entity has qualifying COGS under any one of the exceptions noted in Texas Tax Code Section 171.1012 or Rule 3.588. Enter ONLY qualifying COGS to compute margin.

"Goods" are defined as real or tangible personal property sold in the ordinary course of business. Tangible personal property includes computer programs as well as films, sound recordings, videotapes, live and prerecorded television and radio programs, books and other similar property. Tangible personal property does not include intangible property or services.

Generally, a taxable entity in the service industry will not have qualifying COGS as they do not sell tangible personal property or real property in the ordinary course of business. However, if a transaction contains elements of both a sale of tangible personal property and a service, a taxable entity may subtract as COGS the cost otherwise allowed by this section in relation to the tangible personal property sold. The labor costs related to the services performed are not eligible COGS.

A taxable entity may make a subtraction under this section in relation to the COGS only if that entity owns the goods. A taxable entity that is a member of a combined group may subtract allowable costs as COGS if the goods for which the costs are incurred are owned by another member of the combined group. A payment made to an affiliated entity that is not a member of the combined group may only be included in COGS if the transaction is made at arm's length.

A taxable entity that is subject to Internal Revenue Code, 263A, 460 or 471 may choose to expense or capitalize allowable costs associated with the goods purchased or produced. All other taxable entities will expense allowable costs associated with the goods purchased or produced.

Expensing COGS - An entity that elects to expense allowable costs will have no beginning or ending inventory. The entity should include all allowable costs as described below for the accounting period on which the report is based.

Capitalized COGS - If the entity elects to capitalize COGS, the calculation will include those allowable costs that were in inventory at the beginning of the period upon which the tax is based plus allowable costs capitalized during the period minus allowable costs in ending inventory at the end of the period.

The election to expense or capitalize allowable costs is made by filing the franchise tax report using one method or the other. The election is for the entire period on which the report is based and may not be changed after the due date or the date the report is filed, whichever is later.

Note: Generally COGS for Texas franchise tax reporting purposes will not equal the amount used for federal income tax reporting purposes or for financial accounting purposes. Typically, this amount cannot be found on a federal income tax report or on an income statement. It is a calculated amount specific to Texas franchise tax.

Cost of goods sold includes all direct costs of acquiring or producing the goods, including:

- labor costs including W-2 wages, IRS Form 1099 wages, temporary labor, payroll taxes and benefits;
- cost of materials that are an integral part of specific property produced;
- cost of materials that are consumed in the course of performing production activities;
- handling costs, including costs attributable to processing, assembling, repackaging and inbound transportation;
- storage costs (except for the rental of a storage facility), including the costs of carrying, storing or warehousing property;
- depreciation, depletion and amortization reported on the federal income tax return on which the report under this chapter is based, to the extent associated with and necessary for the production of goods, including recovery described by, Sec. 197, Internal Revenue Code, and property described in Sec. 179, Internal Revenue Code;
- the cost of renting or leasing equipment, facilities or real property used for the production of the goods, including pollution control equipment and intangible drilling and dry hole costs (does NOT include impairment costs/ expenses);
- the cost of repairing and maintaining equipment, facilities or real property directly used for the production of the goods, including pollution control devices;
- costs attributable to research, experimental, engineering and design activities directly related to the production of the goods, including all research or experimental expenditures described by Sec. 174, Internal Revenue Code;
- geological and geophysical costs incurred to identify and locate property that has the potential to produce minerals;
- taxes paid in relation to acquiring or producing any material, including property taxes paid on building and equipment, and taxes paid in relation to services that are a direct cost of production;
- the cost of producing or acquiring electricity sold; and
- a contribution to a partnership in which the taxable entity owns an interest that is used to fund activities, the costs of which would otherwise be treated as COGS of the partnership, but only to the extent that those costs are related to goods distributed to the contributing taxable entity as goods-in-kind in the ordinary course of production activities rather than being sold by the partnership.

In addition to the items previously listed, COGS includes the following costs in relation to the taxable entity's goods:

- deterioration of the goods;
- obsolescence of the goods;
- spoilage and abandonment, including the costs of rework, reclamation and scrap (does NOT include impairment costs/expenses);
- if the property is held for future production, preproduction direct costs allocable to the property, including storage and handling costs, unless specifically excluded below;
- postproduction direct costs allocable to the property, including storage and handling costs, unless specifically excluded below;
- the cost of insurance on a plant or a facility, machinery, equipment or materials directly used in the production of the goods;
- the cost of insurance on the produced goods;
- the cost of utilities, including electricity, gas and water, directly used in the production of the goods;
- the costs of quality control, including replacement of defective components pursuant to standard warranty policies, inspection directly allocable to the production of the goods and repairs and maintenance of goods; and
- licensing or franchise costs, including fees incurred in securing the contractual right to use a trademark, corporate plan, manufacturing procedure, special recipe or other similar right directly associated with the goods produced.

Cost of goods sold does not include:

- any amounts excluded from revenue;
- officers' compensation;
- the cost of renting or leasing equipment, facilities or real property that is not used for the production of the goods;
- selling costs, including employee expenses related to sales and credit card fees;
- distribution costs, including outbound transportation costs;
- advertising costs;
- idle facility expense;
- rehandling costs;
- bidding costs, which are the costs incurred in the solicitation of contracts ultimately awarded to the taxable entity;
- unsuccessful bidding costs, which are the costs incurred in the solicitation of contracts not awarded to the taxable entity;
- interest, including interest on debt incurred or continued during the production period to finance the production of the goods;
- income taxes, including local, state, federal and foreign income taxes, and franchise taxes that are assessed on the taxable entity based on income;
- strike expenses, including costs associated with hiring employees to replace striking personnel; however, COGS does include the wages of the replacement personnel, costs of security and legal fees associated with settling

strikes; and
- costs of operating a facility that is located on property owned or leased by the federal government and managed or operated primarily to house members of the armed forces of the United States.

Item 12. Indirect or administrative overhead costs
A taxable entity may subtract, as part of COGS, indirect/administrative overhead costs, including all mixed service costs, such as security services, legal services, data processing services, accounting services, personnel operations and general financial planning and financial management costs, that it can demonstrate are allocable to the acquisition or production of goods. This amount is limited to 4% of total indirect/administrative overhead costs. Any costs specifically excluded from the computation of COGS may not be included in indirect or administrative overhead costs.

Item 13. Other
The only allowable amounts to be entered on this line are related to undocumented worker compensation and compensation of active duty personnel. These amounts will offset one another. The result can be either a negative (undocumented worker compensation) or a positive number (active duty personnel compensation).

Undocumented Worker Compensation
A taxable entity must exclude from COGS any compensation for undocumented workers for the period upon which the tax is based. "Undocumented worker" means a person who is present and employed in the United States but is not lawfully entitled to be present and employed in the United States.

Compensation of Active Duty Personnel
A taxable entity may include, as an additional cost, the wages and cash compensation paid during the period upon which the report is based to an individual for the period the individual is serving on active duty as a member of the armed forces of the United States if the individual is a resident of this state at the time the individual is ordered to active duty, plus the cost of training a replacement for the individual.

Item 15. Wages and cash compensation
"Wages and cash compensation" means the following amounts paid to officers, directors, owners, partners and employees for the accounting period, limited to $370,000 per person, prorated for the period upon which the tax is based:
- Medicare wages and tips on Form W-2;
- net distributive income reported to a natural person from a limited liability company treated as a sole proprietor for federal income tax purposes, regardless of whether it is a positive or negative amount;
- net distributive income reported to natural persons from partnerships, trusts and limited liability companies treated as partnerships for federal income tax purposes, regardless of whether it is a positive or negative amount;
- net distributive income reported to natural persons from limited liability companies and corporations treated as S corporations for federal income tax purposes, regardless of whether it is a positive or negative amount; and
- stock awards and stock options deducted for federal income tax purposes.

If an employee, officer, director, etc. is paid by more than one member of the combined group, that individual's compensation is capped at $370,000, per 12-month period upon which the tax is based.

Net distributive income for the calculation of compensation is the amount of income, gain, deduction and loss relating to a pass-through entity or disregarded entity reportable to the owner for the tax year of the entity regardless of whether an actual distribution was made.

If net distributive income is a negative number, it must be included in the computation of compensation as a negative number. There is no cap or limitation on "negative" compensation.

To compute Net Distributive Income from a partnership:
From IRS Form 1065 K-1, add boxes 1, 2, 3, 4, 5, 6a, 7, 8, 9a, 10 and 11. Subtract from that result Box 12, the Box 13 amounts that represent deductions and Code L from Box 16 (Foreign taxes).

To compute Net Distributive Income from an S corporation:
From IRS Form 1120S K-1, add boxes 1, 2, 3, 4, 5a, 6, 7, 8a, 9 and 10. Subtract from that result Box 11, the Box 12 amounts that represent deductions, and Code L Box 14 (Foreign taxes).

Note: A single member LLC treated as a sole proprietorship for federal tax purposes may include in compensation the net distributive income to the single member that is a natural person.

Wages and cash compensation DOES NOT include:
- payments on IRS Forms 1099;
- amounts excluded from gross revenue;
- an employer's share of employment taxes;
- amounts paid to an employee whose primary employment is directly associated with the operation of a facility that is located on property owned or leased by the federal government and managed or operated primarily to house members of the armed forces of the United States.

Note: A professional employer organization may only include wages and cash compensation paid to the entity's own employees, and may not include wages, benefits, workers' compensation benefits or payroll taxes of covered employees. A taxable entity that is a client that contracts with a professional employer organization (or a temporary employment service as that term is defined by Sec. 93.001 Labor Code) may include amounts paid to the professional employer organization relating to the covered employees for wages as defined by Item 15 (Wages & Cash Compensation) and Item 17 (Other – Compensation of Active Duty Personnel), and may include amounts paid for employee benefits including workers' compensation benefits, as defined by Item 16 (Employee Benefits). The client may not include any administrative fee, payroll taxes or other amounts related to

the covered employees. In addition, the client may not include as compensation any amounts reported on IRS Forms 1099

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Note: A management company may not include as wages or cash compensation any amounts reimbursed by a managed entity. A managed entity includes as compensation reimbursements made to the management company for wages and compensation as if the reimbursed amounts had been paid to employees of the managed entity.

Item 16. Employee benefits
Enter the cost of benefits provided to officers, directors, owners, partners and employees, including workers' compensation, health care and retirement benefits. The deduction for employee benefits is not limited to $370,000 per person but is only deductible to the extent deductible for federal income tax purposes.

Item 17. Other
The only allowable amounts to be entered on this line are related to undocumented worker compensation and compensation of active duty personnel. These amounts will offset one another. The result can be either a negative (undocumented worker compensation) or a positive number (active duty personnel compensation).

Undocumented Worker Compensation
A taxable entity must exclude from compensation any wages and cash compensation paid to undocumented workers for the period upon which the tax is based. "Undocumented worker" means a person who is present and employed in the United States but not lawfully entitled to be present and employed in the United States.

Compensation of Active Duty Personnel
A taxable entity may include, as an additional cost, the wages and cash compensation paid during the period upon which the report is based to an individual for the period the individual is serving on active duty as a member of the armed forces of the United States if the individual is a resident of this state at the time the individual is ordered to active duty, plus the cost of training a replacement for the individual.

Form 05-158-B
Texas Franchise Tax Report – Page 2

Item 19. 70% of revenue
Multiply Item 10 times 70%. If less than zero, enter zero.

Item 20. Revenue less COGS
Item 10 minus Item 14 – COGS. If less than zero, enter zero.

Item 21. Revenue less compensation
Item 10 minus Item 18 – Compensation. If less than zero, enter zero.

Item 22. Revenue less $1 million
Item 10 minus $1 million. If less than zero, enter zero.

Item 23. Margin
Enter the lowest amount from Items 19, 20, 21, or 22. If the amount is less than zero, enter zero.

Item 24. Gross receipts in Texas
Texas gross receipts and gross receipts everywhere should be reported for the same accounting period used in the calculation of total revenue. Gross receipts means all revenues reportable by a taxable entity on its federal tax return, without deduction for the COGS or other costs incurred unless otherwise provided for by law.

"Gross receipts in Texas" means:
- sales of tangible personal property when the property is delivered or shipped to a purchaser within Texas;
- sales of real property located in Texas, including royalties from oil, gas or other mineral interests;
- receipts from services performed within Texas;
- rentals of property situated in Texas;
- royalties from use of patents or copyrights within Texas;
- receipts from the use of trademarks, franchises or licenses within Texas.
- sales or licenses of computer software or programs if the legal domicile of the payor is Texas;
- net gain from the Texas-sourced sales of investments and capital assets determined by a separate calculation of all Texas-sourced net gains and losses. A net loss from all the Texas-sourced sales of investments and capital assets is not included in Texas receipts.
- sales of intangible property if the legal domicile of the payor is Texas;
- sales of securities if the legal domicile of the payor is Texas. If securities are sold through an exchange, and the buyer cannot be identified, then 7.9% of the revenue is a Texas receipt;
- membership or enrollment fees paid for access to benefits if the payor is legally domiciled in Texas;
- receipts from servicing of loans secured by real property if the real property is located in Texas;
- the pro rata share of net income from a passive entity if the passive entity's principal place of business is in Texas; and
- receipts from Internet hosting as defined by Texas Tax Code Section 151.108(a) if the customer to whom the service is provided is located in Texas.

Any item of revenue that is excluded from total revenue under Texas law or United States law is not included in Texas gross receipts or gross receipts everywhere. For example, a taxable entity should not include in Texas gross receipts:
- income excluded because of IRC Sections 78 or 951- 964;
- dividends and/or interest received from federal obligations; or
- dividends for which a deduction is allowed on Schedule C, Form 1120.

In addition, a taxable entity that is a combined group should not include in Texas gross receipts any revenues generated by a member of the group that is organized outside of Texas and that does not have nexus in Texas. However, Texas gross receipts will include certain sales of tangible personal property made to third party purchasers if the tangible

personal property is ultimately delivered to a purchaser in Texas without substantial modification. For example, drop shipments made by a member of a combined group from a Texas location to a Texas purchaser would be included in Texas receipts based on the amount billed to the third party purchaser if the seller is also a member of the combined group and the seller does not have nexus.

Banking Corporations and Savings & Loan Associations: Dividends and interest received by a banking corporation or savings and loan association are Texas receipts if they are paid by a corporation incorporated in Texas or if they are paid by an entity or person legally domiciled in Texas. A banking corporation should exclude from its Texas receipts interest earned on federal funds and interest earned on securities sold under an agreement to repurchase that are held in a correspondent bank domiciled in Texas.

Item 25. Gross receipts everywhere
Any item of revenue excluded from total revenue (Item 10) must not be included in computing gross receipts everywhere.

Gross receipts everywhere include:
- all sales of tangible personal property;
- all rentals;
- all services;
- all royalties;
- all other business receipts;
- all dividends and interest; and
- the net gain from the sales of all investments and capital assets.

Note: For Items 24 and 25, a capital asset is any asset, other than an investment, which is held for use in the production of income, and is subject to depreciation, depletion or amortization. An investment is any non-cash asset not a capital asset.

Item 26. Apportionment factor
If Texas gross receipts in Item 24 are zero, enter zero. If Item 24 and Item 25 are the same and greater than zero, enter 1.0000. If Item 24 is more than Item 25 and both are greater than zero, enter 1.0000. Otherwise, divide Item 24 by Item 25 and round to 4 places past the decimal.

Item 27. Apportioned margin
Multiply Item 23 by Item 26. If less than zero, enter zero.

Item 28. Allowable deductions
Each of the following deductions may be subtracted from apportioned margin:
- A taxable entity may deduct 10% of the amortized cost of a solar energy device if the device meets the criteria in Texas Tax Code Section 171.107(b). The deduction may not reduce apportioned margin below zero, and no carryover of unused deductions is allowed.
- A taxable entity may deduct 10% of the amortized cost of equipment used in a clean coal project if the equipment meets the criteria in Texas Tax Code Section 171.108(b). The deduction may not reduce apportioned margin below zero, and no carryover of unused deductions is allowed.
- A taxable entity may deduct relocation costs incurred in relocating the taxable entity's main office or other principal place of business to this state from another state if the business meets the criteria in Texas Tax Code Section 171.109(b). The taxable entity must take the deduction on the entity's first annual report described by Rule 3.584(c)(2). The deduction may not reduce apportioned margin below zero, and no carryover of unused deduction is allowed.

Item 29. Taxable margin
Item 27 minus Item 28.

Item 30. Tax rate
Enter the appropriate tax rate:
- 0.0075 (0.75%) for most entities
- 0.00375 (0.375%) for qualifying wholesalers and retailers

Note: If the SIC code on Form 05-158-A does not fit the definition of qualifying retailers and wholesalers on page 3, the 0.375% tax rate will be denied when the report is processed.

Item 31. Tax due
Item 29 multiplied by Item 30.

Item 32. Tax credits
Carry the amount of allowable tax credits forward from franchise tax Form 05-160.

Item 33. Tax due before discount
Item 31 minus Item 32. If less than zero, enter zero.

Item 34. Discount
Discounts do not apply to reports due after Dec. 31, 2009.

Item 35. Total tax due
Must equal the amount of tax due in Item 33 since discounts do not apply to reports due after Dec. 31, 2009.
If this amount is less than $1,000, you owe no tax, but you must submit this report along with the appropriate information report(s) (Form 05-102 and/or Form 05-167). See note for tiered partnership exceptions.

If this amount is $1,000 or more, please complete the franchise tax payment form (Form 05-170), unless the entity is required to pay electronically. Make the check payable to the Texas Comptroller. Submit both pages of this report (Forms 05-158-A and 05-158-B), all appropriate schedules, the appropriate information report(s) (Form 05-102 and/or Form 05-167), the franchise tax payment form (Form 05-170) and your payment.

Note: If the tiered partnership election is made and total revenue is passed, both the upper and lower tier entities will owe any amount in Item 35, even if the amount is less than $1,000.

Signature Block: Report may be signed by an officer, director or other authorized person. This includes a paid

preparer authorized to sign the report.

Form 05-160
Texas Franchise Tax Credits Summary Schedule

A taxable entity that is claiming or carrying forward any credits must file this schedule.

Additional Reporting Requirement for Combined Groups with Temporary Credit

The reporting entity of a combined group with a temporary credit for business loss carryforward preserved for itself and/or its affiliates must submit common owner information using Webfile or by filing the Common Owner Information Report (Form 05-177) . This information must be submitted to satisfy franchise tax filing requirements, even if the combined group is not claiming the credit on the current year's report. Submit the common owner information before or with your franchise tax report to prevent processing delays. If you submit the common owner information after you file your report, it will NOT immediately process to your account.

PART A – Credit Limit

Item 1. Tax due before credits
Enter the amount of tax due before credits as reported on Form 05-158-B, Item 31.

Item 2. Credit Limit
Item 1 multiplied by 0.50 (50%).

PART B – Credits Available

Item 3. Investment credit installment from prior years
Leave blank. Not applicable to reports due after Dec. 31, 2016.

Item 4. Investment credit carried forward from prior years
Leave blank. Not applicable to reports due after Dec. 31, 2016.

Item 5. Investment credit available
Leave blank. Not applicable to reports due after Dec. 31, 2016.

Item 6. Job creation credit carried forward to this year from prior years.
Leave blank. Not applicable to reports due after Dec. 31, 2016.

Item 7. Research credit carried forward from prior years
Enter the amount of repealed Subchapter O research and development credit carried forward to this year from years prior to 2008. (Repealed Subchapter O credit may be carried forward until 2027.)

Item 8. Unused Temporary credit for Business Loss Carryforward (BLC) from prior years
Unused temporary credit for BLC carried over to this year from prior years.

Note: This is not the total preserved amount of BLC reported to our office before filing the 2008 report. The amount reported on this line is for the unused temporary credit from prior years.

Item 9. R & D Activities Credit Available
Enter the amount of R & D activities credit available which includes the R & D activities credit and the carryforward from prior years as reported on Form 05-178, Item 14.

Item 10. Eligible historic structure credit
Enter the total amount of historic structure credit the entity established, purchased, or was assigned or allocated since the prior year's report, adjusted for any sale, assignment or allocation of the credits.

Item 11. Historic structure credit carried forward from prior years
Enter the amount of historic structure credit carried forward from prior years adjusted by any carryforward amount that has been sold, assigned or allocated since the prior year's report.

Item 12. Historic structure credit available
Add Item 10 and Item 11 for total available historic structure credit amount which can be taken in the current year.

Item 13. 1992 Temporary credit
Leave blank. Not applicable to reports due after Dec. 31, 2012.

Part C – Credits Claimed

Item 14. Investment credit claimed
Not applicable to reports due after Dec. 31, 2016

Item 15. Jobs creation credit claimed
Not applicable to reports due after Dec. 31, 2016

Item 16. Research credit claimed
Claimed research credit carried forward to this year from years prior to 2008. Cannot be greater than Item 2 or Item 7.

Item 17. Temporary credit for BLC from this year only
A qualifying taxable entity must have preserved its right to take this credit on or before the due date of its 2008 report.

Enter the result of the following calculation in Item 17:
- preserved amount of business loss carryforwards (Item 2 of Form 05-172 filed in 2008)
- multiplied by 7.75% (0.0775)
- multiplied by 4.5% (0.045).

The unused carryover from a previous report should be reported in Item 18.

If the taxable entity is a combined group, each qualifying member of the group should have made a separate preservation of the business loss carryforwards. Use the cumulative amount of the preserved business loss carryforwards in the calculation of the credit.

Note: If a combined group member leaves the combined group during a tax period, the combined group may claim the departing member's entire amount of credit and the member's entire available credit carryover for the report year. For subsequent reports, the departed member's credit will no longer be available to the combined group, and the combined group's credit carryover must be adjusted to remove the portion of carryover related to the departed member.

Item 18. Unused Temporary credit for BLC from prior years claimed
Claimed temporary credit for BLC carried forward to this year from prior years. Cannot exceed Item 8.

Carryover of 2008 temporary credit for business loss carryforwards
Enter the amount of credit that exceeded the amount of tax due on the 2008 or subsequent reports that has not already been used. If the EZ computation was used on a prior report, there is no carryover amount from that year.

Example: A taxable entity had a business loss credit of $2,000 that could be used on the 2018 franchise tax report. The entity had $1,200 tax due, so they used only $1,200 of the available business loss credit. They may carry over the remaining $800 to subsequent report years. On the 2019 report, this $800 should be reported in Item 18.

Item 19. R & D activities credit claimed
Cannot be greater than Item 2 or Item 9.

Item 20. Historic structure credit claimed
Cannot be greater than Item 12.

Note: To claim the historic structure credit, the following must be included:
- *Texas Historic Structure Credit Supplement (Form 05-180)*
- *Texas Historic Structure Credit Certificate (Form 05-901) for each historic structure credit claimed.*

If the credit is not established prior to filing the report, in lieu of Form 05-901, include the following:
- *Certificate of Eligibility issued by the Texas Historical Commission;*
- *Audited Cost Report; and*
- *Texas Historic Structure Credit Registration (Form AP-235).*

Item 21. 1992 Temporary credit less additional tax due
Leave blank. Not applicable to reports due after Dec. 31, 2012.

Item 22. Other
Leave blank. Not applicable to reports due after Dec. 31, 2012.

Note: Extension payments or prior payments should not be entered in this item. Enter extension and prior payments on franchise tax Form 05-170, Item 2.

Item 23. Total credits claimed
Add Items 14, 15, 16, 17, 18, 19, 20 and 22. Enter this amount on Item 32 of the tax report, Form 05-158-B.

Form 05-163
Texas Franchise Tax No Tax Due Report

Filing Requirements: As of January 1, 2016, No Tax Due Reports must be filed electronically. A taxable entity, including a combined group, qualifies to file the No Tax Due Report when any of the five statements shown in Item 1 through Item 5 are true. Blacken the circle for each true statement.

Combined report
A combined group may file a No Tax Due Report. The determination of whether a combined group is eligible is based on the total revenue of the combined group as a whole after eliminations. Each member of the group must be included in the combined group report even if, on a separate entity basis, the member has $1,130,000 or less in total revenue.

When filing a combined No Tax Due Report, an Affiliate Schedule (Form 05-166) containing all of the required information for each member must be submitted. In addition, an information report must be submitted for each member that is organized in Texas or has physical presence in Texas.

Tiered Partnership Election
A tiered partnership election is not allowed if the lower tier entity, before passing total revenue to the upper tier entities, has $1,130,000 or less in annualized total revenue or owes less than $1,000 in tax. Do NOT blacken the Tiered Partnership Election circle in this instance.

If a tiered partnership election is made, the lower tier entity may file the No Tax Due Report ONLY if the entity passed 100% of its total revenue to upper tier entities. Blacken the Tiered Partnership Election circle in this instance. Upper tier entities are not eligible to file a No Tax Due Report if the tiered partnership election is made.

Item 1. This entity is a passive entity as defined in Texas Tax Code Sec. 171.0003.
A partnership (general, limited or limited liability) or trust (other than a business trust) may qualify as a passive entity and not owe any franchise tax for a reporting period if at least 90% of the entity's federal gross income (as reported on the entity's federal income tax return), for the period upon which the tax is based, is from the following sources:
- dividends, interest, foreign currency exchange gain, periodic and nonperiodic payments with respect to notional principal contracts, option premiums, cash settlements or termination payments with respect to a financial instrument, and income from a limited liability company;
- distributive shares of partnership income to the extent that those distributive shares of income are greater than zero;
- net capital gains from the sale of real property, net gains from the sale of commodities traded on a commodities exchange and net gains from the sale of securities; and
- royalties from mineral properties, bonuses from mineral properties, delay rental income from mineral properties

and income from other nonoperating mineral interests including nonoperating working interests.

Passive income does not include rent or income received by a nonoperator from mineral properties under a joint operating agreement, if the nonoperator is a member of an affiliated group and another member of that group is the operator under the same joint operating agreement.

Passive entities are not required to file a Public Information Report or Ownership Information Report.

Passive entities cannot be included in a combined group.

Item 2. This entity's annualized total revenue is below the no tax due threshold.
If annualized total revenue is less than or equal to $1,130,000, the entity qualifies to file the No Tax Due Report. See the annualized total revenue section of these instructions for more information.

Note: The $1,130,000 no tax due threshold does not apply to an upper tier entity if a tiered partnership election is made.

Item 3. This entity has zero Texas gross receipts.
The apportionment factor of an entity with zero Texas gross receipts is zero; therefore, no tax is due. See the instructions for Item 24 of Form 05-158-B for additional information on computing Texas gross receipts.

Item 4. This entity is a Real Estate Investment Trust (REIT) that meets the qualifications specified in Texas Tax Code 171.0002(c)(4).
A REIT that meets the qualifications of Texas Tax Code Section 171.0002(c)(4), is not a taxable entity for the period upon which the report is based. The REIT must establish its nontaxable status by filing a No Tax Due Report for the period upon which the report is based.

A REIT or its qualified REIT subsidiary entities are not considered taxable entities if:
- the REIT holds interests in limited partnerships or other entities that are taxable entities and that directly hold real estate; and
- the REIT does not directly hold real estate, other than real estate it occupies for business purposes.

An information report must be submitted by each REIT or qualified REIT subsidiary:
- a Public Information Report (Form 05-102) for each REIT legally organized as a corporation or LLC or
- an Ownership Information Report (Form 05-167) for each REIT legally organized as a partnership, trust or association.

Item 5. This entity is a new veteran-owned business as defined in Texas Tax Code Sec. 171.0005.
See the New Veteran-Owned Businesses section of the instructions, page 2. Only an entity formed on or after Jan. 1, 2016 and verified as a new veteran-owned business may blacken the circle.

Item 6a. Accounting year begin date
See the accounting period begin date requirements in the annual and final report sections.

Item 6b. Accounting year end date
See the accounting period end date requirements in the annual and final report sections.

Item 7. Total Revenue
Enter the amount of total revenue using the instructions for Items 1-10 of Form 05-158-A. A passive entity, a REIT or a new veteran-owned business may enter zero.

Signature Block: Report may be signed by an officer, director or other authorized person. This includes a paid preparer authorized to sign the report.

Form 05-164
Texas Franchise Tax Extension Request

Filing Requirements: Any entity (including a combined group) that cannot file its annual (including the first annual) or final report by the original due date may request an extension of time to file on or before the due date. A combined group must also file an Extension Affiliate List (Form 05-165) with the extension request.

An extension for an annual, non-EFT (electronic funds transfer) payor will be through Nov. 15, 2019. When submitting the extension request, the taxable entity must remit at least 90% of the tax that will be due with this year's report or 100% of the tax reported as due for the previous calendar year (provided that the report due in the previous calendar year was filed on or before May 14, 2019) in order for the extension to be valid.

A taxable entity that became subject to the franchise tax during 2018, filing its first annual report, may not use the 100% extension option.

An entity that was included as an affiliate on a 2018 combined group report may not use the 100% extension option if filing as a separate entity in 2019.

Combined Report Extensions
If the extension request is being made on behalf of a combined group, the reporting entity must also submit Texas Franchise Tax Extension Affiliate List (Form 05-165).

Final Reports: A taxable entity may request a 45-day extension and must remit with the extension request at least 90% of the tax that will be due with the final report.

Electronic Funds Transfer (EFT): Conditions for requiring a taxable entity to pay via EFT are outlined in Rule 3.9 concerning electronic filing and electronic funds transfers. Information about the EFT requirements can be viewed at www.comptroller.texas.gov/programs/systems/docs/96-590.pdf.

The extension rules for mandatory EFT payors are different from that of other taxpayers. In order to extend the due date of the report from May 15, 2019 to Aug. 15, 2019, a taxable entity that is required to pay by EFT must make their extension payment electronically via TEXNET using tax type Code 13080 (Franchise Tax Extension) or Webfile in a timely fashion that permits the payment to be posted on or before May 15, 2019. With the extension request, taxable entities must remit at least 90% of the amount of tax that will be due with this year's report or 100% of the tax reported as due for the previous calendar year on the report due in the previous calendar year. If the taxable entity elects to pay 100% of the tax reported as due for the previous calendar year, the previous year's report must be filed on or before May 14, 2019 in order for the extension to be valid.

Combined groups that are mandatory EFT payors must file the required Extension Affiliate List (Form 05-165) by mail unless the extension request is submitted through Webfile.

An EFT payor may request a second extension through Nov. 15, 2019 to file the report by paying electronically on or before Aug. 15, 2019, the balance of the amount of tax that will be reported as due on Nov. 15, 2019, using tax type Code 13080 (Franchise Tax Extension), Webfile or by submitting a paper Extension Request (Form 05-164) if the entity has paid all of the tax due with its first extension. If an electronic extension payment is made, then the taxpayer should not submit a paper Extension Request (Form 05-164).

A combined group should not resubmit an Extension Affiliate List (Form 05-165) when requesting a second extension.

Note: See Form 96-590, TEXNET Payment Instruction Booklet, for additional information concerning requirements for EFT payments.

Item 1. Extension payment
Enter the amount submitted with this request.

Signature Block: Report may be signed by an officer, director or other authorized person. This includes a paid preparer authorized to sign the report.

Form 05-165
Texas Franchise Tax Extension Affiliate List

Filing Requirements: A reporting entity filing an extension request on behalf of a combined group, must file the extension affiliate list along with the Extension Request (Form 05-164). If the combined group is required to pay using TEXNET and makes an extension payment electronically, it is not required to file Form 05-164, but must submit an Extension Affiliate List (Form 05-165).The filing of this list by itself does not constitute a valid extension. Attach as many forms as necessary to report all members of the combined group.

Column 1 – Legal name of affiliate
Enter the legal name of each affiliate in the combined group. Affiliates can be any type of taxable entity including corporations, LLCs, partnerships (general, limited and limited liability), business trusts, professional associations, etc.

Column 2 – Affiliate's Texas Taxpayer Number
Enter the assigned Texas taxpayer number of the affiliate. If the affiliate does not have a taxpayer identification number, enter the affiliate's federal employer identification number (FEIN). If the affiliate does not have an FEIN, leave blank.

Column 3 – Blacken this circle if affiliate does not have nexus in Texas
Blacken the circle if the affiliate is not organized in Texas and does not have nexus (i.e., physical presence) in Texas.

Form 05-166
Texas Franchise Tax Affiliate Schedule

Filing Requirements: A reporting entity filing a combined report on behalf of an affiliated group engaged in a unitary business must complete the required information for each member of the group, including the reporting entity, on this form (Form 05-166). Attach as many forms as necessary.

Additional Reporting Requirement for Combined Groups with Temporary Credit – The reporting entity of a combined group with a temporary credit for business loss carryforward preserved for itself and/or its affiliates must submit common owner information using Webfile or by filing Form 05-177. This information must be submitted to satisfy franchise tax filing requirements, even if the combined group is not claiming the credit on the current year's report. Submit the common owner information before or with your franchise tax report to prevent processing delays. If you submit the common owner information after you file your report, it will NOT immediately process to your account.

Item 2. Affiliate taxpayer number
Enter the Texas taxpayer number that has been assigned to the affiliated entity by the Comptroller's office. If the affiliate does not have an assigned number, enter the affiliate's federal employer identification number (FEIN). If the affiliate does not have a separate FEIN, leave blank.

Item 3. Affiliate NAICS code
Enter the code that is appropriate for the affiliate. The North American Industry Classification System (NAICS) codes can be found at www.census.gov/eos/www/naics/.

Item 4. Blacken circle if disregarded for franchise tax
If this affiliate is a disregarded entity for federal income tax reporting purposes, the reporting entity may blacken this circle and treat the entity as disregarded for franchise tax reporting purposes. Blackening this circle means that the disregarded entity will not unwind its operations from its "parent" entity and both entities are considered to have nexus in Texas for purposes of apportionment . If circle is blackened, enter zero in Items 8-11.

Item 5. Blacken circle if this affiliate does NOT have NEXUS in Texas
Blacken this circle if the affiliate is not organized in Texas and does not have nexus (i.e., physical presence) in Texas.

Item 6. Affiliate reporting begin date
Enter the begin date of the affiliate's accounting period that will be included in the combined report. See note under "Accounting Period of the Combined Group" (Page 7).

Item 7. Affiliate reporting end date
Enter the end date of the affiliate's accounting period that will be included in the combined report. See note under "Accounting Period of the Combined Group" (Page 7).

1. Legal name of affiliate	2. Affiliate taxpayer number *(if none, use FEI number)*	3. Affiliate NAICS code

4. Blacken circle if entity is disregarded for franchise tax	5. Blacken circle if this affiliate does NOT have **NEXUS** in Texas	6. Affiliate reporting begin date m m d d y y	7. Affiliate reporting end date m m d d y y
■	■		

8. Gross receipts subject to throwback in other states *(before eliminations)*	9. Gross receipts everywhere *(before eliminations)*
0 0	0 0

10. Gross receipts in Texas *(before eliminations)*	11. Cost of goods sold or compensation *(before eliminations)*
0 0	0 0

Item 8. Gross receipts subject to throwback in other states
Leave this field blank. Previously, Texas Tax Code Section 171.103(c) required that Texas gross receipts subject to throwback provisions in other states be reported for each member of the combined group. Texas Tax Code Section 171.103(c) has been repealed.

Item 10. Gross receipts in Texas
The amount entered is the portion of gross receipts everywhere that are attributable to Texas before intercompany eliminations but after exclusions from revenue. See the instructions for Item 24 of Form 05-158-B and Rule 3.591 for more information on determining Texas receipts. Not required for affiliates that do not have nexus in Texas.

Item 11. Cost of goods sold (COGS) or compensation
The reporting entity will make an election on behalf of the combined group to compute margin using one of the following four calculations:

- 70% of total revenue
- Total revenue minus COGS
- Total revenue minus compensation
- Total Revenue minus $1 million

If the reporting entity elects the COGS or compensation method, enter the applicable amount for each member of the combined group.

Item 9. Gross receipts everywhere
The amount entered should equal the gross revenue of the entity before intercompany eliminations but after other exclusions from revenue. To determine gross receipts everywhere, review the instructions for Items 1-7 and Item 9 of Form 05-158-A.

Form 05-167
Texas Franchise Tax Ownership Information Report

Filing Requirements: The Ownership Information Report (OIR) is to be filed for each taxable entity other than a legally formed corporation, limited liability company, limited partnership, professional association or financial institution.

The OIR is due on the date the franchise tax report is due and must be completed and signed by a partner, member, owner, or other authorized person of the taxable entity. A separate OIR is to be filed by each taxable entity that files a separate franchise tax report or that is part of a combined group (unless the taxable entity is not organized in Texas and does not have physical presence in Texas).

Even if the franchise tax report is filed and all taxes paid, the entity's right to transact business may be forfeited for failure to file the completed, signed OIR. The effects of forfeiture may include the denial of the taxable entity's right to sue or defend in a Texas court, and each partner, member or owner may become personally liable for certain debts of the entity (Texas Tax Code Sections 171.251, 171.252 and 171.255).

Address changes can be indicated by blackening the circle after the Taxpayer Name.

Changes to the registered agent or registered office must be filed directly with the Secretary of State, and cannot be made on this form. The changes can be made online or on forms downloaded from their website at www.sos.texas.gov/.

Section A:
Report the name, title and mailing address of each general partner and each person or entity that owns an interest of 10% or more of the taxable entity as of the date that the report is filed.

Trusts should report their trustee information and not check any box (partner or other). Associations should report information for the individuals who have authority to sign a contract on behalf of the association and not check any box (partner or other). All other entities should report their executive board members and check the other box. If there is no FEIN for the owner(s), please leave the field blank. (Do not enter any Social Security numbers.)

Section B:
Registered Agent and Registered Office - This should include the entity's registered agent or agent for service of process in accordance with Texas Tax Code Section 171.354.

Changes that occur after the report is filed should be reported to the Comptroller on the next OIR the entity is required to file. The Comptroller will not accept changes during the year, except as noted below.

An individual whose name was included on the report but who was not associated with the entity on the date the report was filed, may file a sworn statement to that effect with the Comptroller. An entity that made an error on its OIR may file an amended OIR with a cover letter explaining the error.

Signature Block: Report may be signed by an officer, director or other authorized person. This includes a paid preparer authorized to sign the report.

Form 05-169
Texas Franchise Tax EZ Computation Report

Filing Requirements: Any entity (including a combined group) that has annualized total revenue of $20 million or less is eligible to use the EZ computation to report their franchise tax. Upper and lower tier entities, when the tiered partnership election has been made, will qualify for the EZ computation only if the lower tier entity would have qualified for the EZ computation before total revenue is passed to the upper tier entities. Taxable entities that elect this method to file are not eligible to take any credits or deductions. When using the EZ computation, the current year's portion of the temporary credit for business loss carryforwards may not be used and may not be carried over to a future period. If a combined group elects to use the EZ computation method to report its franchise tax, the reporting entity is required to provide the requested information on Texas Franchise Tax Affiliate Schedule (Form 05-166) for each member of the combined group.

Item 1. Gross receipts or sales
See instructions for Item 1 on Form 05-158-A (page 13).

Item 2. Dividends
See instructions for Item 2 on Form 05-158-A (page 13).

Item 3. Interest
See instructions for Item 3 on Form 05-158-A (page 13).

Item 4. Rents
See instructions for Item 4 on Form 05-158-A (page 14).

Item 5. Royalties
See instructions for Item 5 on Form 05-158-A (page 14).

Item 6. Gains/losses
See instructions for Item 6 on Form 05-158-A (page 14).

Item 7. Other income
See instructions for Item 7 on Form 05-158-A (page 14).

Item 8. Total gross revenue
See instructions for Item 8 on Form 05-158-A (page 14).

Item 9. Exclusions from gross revenue
Do not enter COGS or compensation amounts as they cannot be deducted if electing to use the EZ computation. See instructions for Item 9 on Form 05-158-A (page 14).

Item 10. Total Revenue
See instructions for Item 10 on Form 05-158-A (page 16).

Item 11. Gross receipts in Texas
See instructions for Item 24 on Form 05-158-B (page 19) and Rule 3.591 for more information on determining Texas receipts.

Item 12. Gross receipts everywhere
See instructions for Item 25 on Form 05-158-B (page 20) and Rule 3.591 for information on determining gross receipts everywhere.

Item 13. Apportionment factor
See instructions for Item 26 on Form 05-158-B (page 20).

Item 14. Apportioned revenue
Multiply Item 10 by Item 13.

Item 15. Tax due before discount
Multiply Item 14 by 0.331% (0.00331).

Item 16. Discount
Discounts do not apply to reports due after Dec. 31, 2009.

Item 17. Total tax due
Item 17 must equal Item 15.

If this amount is less than $1,000, you owe no tax, but you must submit this report along with the appropriate information report(s) (Form 05-102 and/or Form 05-167).

If this amount is $1,000 or more, please complete the franchise tax payment Form 05-170, unless the entity is required to pay electronically. Make the check payable to the Texas Comptroller. Submit this report, all appropriate schedules, the appropriate information report(s) (Form 05-102 and/or Form 05-167), the franchise tax payment form (Form 05-170) and your payment.

Note: If the tiered partnership election is made and total revenue is passed, both the upper and lower tier entities will owe any amount in Item 17, even if the amount is less than $1,000 or annualized total revenue after the tiered partnership election is $1,130,000 or less.

Signature Block: Report may be signed by an officer, director or other authorized person. This includes a paid preparer authorized to sign the report.

Form 05-170
Texas Franchise Tax Payment Form

Filing requirements: Any taxable entity that owes any amount of franchise tax where the tax was not remitted electronically is required to submit the payment form with a check or money order made payable to the Texas Comptroller. Please put the reporting entity's Texas taxpayer number and the report year on the check.

Item 1. Total tax due on this report
Enter the amount of tax due as reflected on Form 05-158-B, Item 35, or Form 05-169, Item 17.

Item 2. Enter prior payment
Enter prior payments, such as an extension payment.

Item 3. Net tax due
Item 1 minus Item 2.

Item 4. Penalty
A $50 late filing penalty will be assessed if a franchise tax report (Long Form, EZ Computation or No Tax Due Form) is filed after the due date. The $50 penalty is due in addition to any other penalties assessed for the reporting period.

If the taxable entity did not file an extension request on or before the due date, and the franchise tax payment is not postmarked on or before the due date, then a penalty of 5% of the tax reported as due will be assessed (multiply Item 3 by 0.05). If the payment is more than 30 days delinquent, an additional 5% penalty will be assessed.

For the first annual and final franchise tax report, if the timely extension payment is not at least 90% of the tax that will be due, then penalty will apply to any tax not paid by the original due date.

If there is a timely filed extension request for an annual report, and the extension payment was not at least 100% of the tax reported as due for the previous calendar year (on the report due in 2018, filed on or before May 14, 2019) or 90% of the tax that will be due with the 2019 annual report, then penalty will apply to any part of the 90% not paid on or before May 15, 2019, and any part of the 10% not paid on or before Nov. 15, 2019.

For taxable entities required to pay their franchise tax by EFT, see Rule 3.585 for penalty calculations.

Item 5. Interest
If any amount of the required tax payment is not made within 60 days of the original or extended due date, interest will be assessed beginning on the 61st day.

For more information on interest calculations, see www.comptroller.texas.gov/taxes/file-pay/interest.php.

Form 05-175
Texas Franchise Tax Tiered Partnership Report

Filing requirements: This form must be completed by all upper and lower tier entities making the tiered partnership election under Texas Tax Code Section 171.1015.

The tiered partnership election under Texas Tax Code Section 171.1015 is not mandatory; it is a filing option for entities in a tiered partnership arrangement. A "tiered partnership arrangement" means an ownership structure in which any of the interests in one taxable entity treated as a partnership or an S corporation for federal income tax purposes (a "lower tier entity") are owned by one or more other taxable entities (an "upper tier entity"). The tiered partnership election is not an alternative to combined reporting. Combined reporting is

mandatory for taxable entities that meet the ownership and unitary criteria. Therefore, the tiered partnership election is not allowed if the lower tier entity is included in a combined group.

If the lower tier entity has $1,130,000 or less in annualized total revenue or owes less than $1,000 in tax before passing total revenue to the upper tier entities, this election is not allowed. If the election is made and total revenue is passed, both the upper and lower tier entities will owe any amount of tax that is calculated as due even if the amount is less than $1,000 or annualized total revenue after the tiered partnership election is $1,130,000 or less.

Lower Tier Entities:
If the entity filing this report is a lower tier entity, then enter the requested information below for each upper tier entity to which revenue was passed.

Item 1. Enter the lower tier entity's total revenue before revenue is passed to upper tier entities.

Item 2. Enter the Texas taxpayer number or FEIN of the upper tier entity to which the total revenue was passed.

Item 3. Enter the amount of total revenue excluded by the lower tier entity that was passed to the upper tier entity.

Item 4. Enter the legal name and address of the upper tier entity to which the total revenue was passed.

Item 5. Enter the state of formation of the upper tier entity.

Item 6. Leave blank.

Item 7. Blacken this circle.

Upper Tier Entities:
If the entity filing this report is an upper tier entity, then enter the requested information below for each lower tier entity that total revenue was passed from.

Item 1. Enter the lower tier entity's total revenue before revenue is passed to upper tier entities.

Item 2. Enter the Texas taxpayer number or FEIN of the lower tier entity from which the total revenue was passed.

Item 3. Enter the amount of total revenue included by the upper tier entity that was passed from the lower tier entity.

Item 4. Enter the legal name and address of the lower tier entity from which total revenue was passed.

Item 5. Enter the state of formation of the lower tier entity.

Item 6. Blacken this circle.

Item 7. Leave blank.

Note: An upper tier entity may also be a lower tier entity if there are multiple tiers. If this is true for the upper tier entity filing this report, then complete both upper and lower tier information as requested above.

Form 05-177
Texas Franchise Tax Common Owner Information Report

Filing requirements: The reporting entity of a combined group with a temporary credit for business loss carryforward preserved for itself and/or its affiliates must submit common owner information by the due date of the report each year. This information must be submitted to satisfy franchise tax filing requirements, even if the combined group is not claiming the credit on the current year's report. Failure to satisfy all franchise tax filing requirements will negatively impact the reporting entity's and affiliate's franchise tax account status with our office.

Common Owner Identification
The common owner is the entity or individual that owns more than 50 percent (directly or indirectly) of each affiliate of the combined group. The reporting entity is not necessarily the common owner. Enter only one common owner identification number.

If the common owner is a business, enter the 11-digit Texas taxpayer number or the federal employer identification number.

If the common owner is an individual, enter the 11-digit Texas taxpayer number or Social Security number.

Common Owner Name
Enter the business name of the common owner or the first name, middle initial and last name of the individual that is the common owner. The common owner identification number and common owner name should be for the same entity or individual.

Dates
Enter the date this entity or individual became the common owner of the combined group. The start date is not the same as the combined group accounting period date or privilege period.

If applicable, enter the date this entity or individual ceased being the common owner of the combined group.

Check the box if this entity or individual is still the common owner.

Form 05-178
Texas Franchise Tax Research and Development Activities Credit Schedule

Subchapter M provides an option to receive a franchise tax credit for certain research and development activities. A taxable entity is not eligible for the franchise tax credit if the taxable entity, or any member of its combined group,

received a sales tax exemption under Texas Tax Code Section 151.3182 during the period on which the franchise tax is based.

Qualified research and qualified research expense, as defined by Section 41 of the Internal Revenue Code, are limited to research conducted in Texas. An increased amount of credit is allowed for taxable entities that contract with public or private institutions of higher education for the performance of qualified research and have qualified research expenses incurred in Texas under the contract during the period on which the report is based. The credit may be carried forward no more than 20 consecutive reports.

The credit for any report equals 5.0 percent of the difference between qualified research expenses in Texas (QRET) and 50 percent of the average amount of QRET incurred during the three tax periods preceding the period on which the report is based. If the taxable entity contracts with one or more public or private institutions of higher education for the performance of qualified research and the taxable entity has QRET under contract during the period on which the report is based, the credit for the report equals 6.25 percent of the difference between all QRET incurred during the period on which the report is based and 50 percent of the average amount of all qualified research expenses incurred during the three tax periods preceding the period on which the report is based.

If the taxable entity has no QRET in one or more of the three tax periods preceding the period on which the report is based, the credit for the period on which the report is based equals 2.5 percent of the QRET incurred during that period. If the taxable entity contracts with one or more public or private institutions of higher education for the performance of qualified research and the taxable entity has QRET incurred under contract during the period on which the report is based, but has no QRET in one or more of the three tax periods preceding the period on which the report is based, the credit for the period on which the report is based equals 3.125 percent of all QRET incurred during that period.

Filing requirements: Any entity (including a combined group) creating or claiming a Research and Development (R&D) Activities credit must file this report.

Item 1a. Total QRET for the period covered by this report
Enter the total amount of qualifying expenses for research conducted in Texas for the period covered by the report.

Item 1b. QRET under higher education contracts for the period covered by this report
Enter the amount of expenses reported in Item 1a that were incurred in Texas under contract with one or more public or private institutions of higher education for the period covered by the report.

Item 2a. Total QRET in 1st preceding tax period
Enter the total amount of qualifying expenses for research conducted in Texas in the first preceding tax period.

Item 2b. QRET under higher education contracts for the 1st preceding tax period
Enter the amount of expenses reported in Item 2a that were incurred in Texas under contract with one or more public or private institutions of higher education in the first preceding tax period.

Item 3a. Total QRET in 2nd preceding tax period
Enter the total amount of qualifying expenses for research conducted in Texas in the second preceding tax period.

Item 3b. QRET under higher education contracts for the 2nd preceding tax period
Enter the amount of expenses reported in Item 3a that were incurred in Texas under contract with one or more public or private institutions of higher education in the second preceding tax period.

Item 4a. Total QRET in 3rd preceding tax period
Enter the total amount of qualifying expenses for research conducted in Texas in the third preceding tax period.

Item 4b. QRET under higher education contracts for the 3rd preceding tax period
Enter the amount of expenses reported in Item 4a that were incurred in Texas under contract with one or more public or private institutions of higher education in the third preceding tax period.

Note: If the entity has no qualifying expenses for research conducted in Texas for one or more of the three preceding periods, skip to Item 10.

Item 5. Average QRET for preceding periods
Add Items 2a, 3a and 4a, then divide by 3.

Item 6. Average QRET X 50%
Multiply Item 5 by 0.50.

Item 7. QRET Difference
Subtract Item 6 from Item 1a. If less than zero, enter zero.

Item 8. Credit
If the entity does not have any qualifying expenses for research conducted in Texas under contracts with public or private institutions of higher education for the period covered by the report (Item 1b), multiply Item 7 by 0.05.

Item 9. Credit
If the entity has expenses that were incurred in Texas under contracts with public or private institutions of higher education for the period covered by the report (Item 1b), multiply Item 7 by 0.0625.

Note: If the entity has 3 preceding periods of qualifying research expenses, skip to Item 12.

Item 10. Credit
If the entity does not have any qualifying expenses for research conducted in Texas under contracts with public or private institutions of higher education for the period covered

by the report (Item 1b), multiply Item 1a by 0.025.

Item 11. Credit
If the entity has qualifying research expenses incurred in Texas under contracts with public or private institutions of higher education for the period covered by the report and Item 1b is greater than zero, multiply Item 1a by 0.03125.

Item 12. R & D activities credit
Enter the amount reported in **one** of these items: Item 8, 9, 10 or 11.

Item 13. R & D activities credit carried forward from prior years
Enter unused R & D activities credit carried forward from prior years.

Item 14. R & D Activities Credit Available
Enter the sum of Item 12 and Item 13 here, and enter it in Item 9 of Form 05-160.

Item 15. Average number of research and development positions
Enter the average number of research and development positions for the period covered by the report. Divide the sum of the number of research and development positions in Texas at the end of each month by the number of months in the period covered by the report.

Item 16. Average salary of research and development positions
Enter the average salary for research and development positions for the period covered by the report. Divide the total salary paid for research and development positions by the average number of research and development positions for the period covered by the report.

Form 05-180
Texas Historic Structure Credit Supplement for Credit Claimed on the Franchise Tax Report

Filing requirements: An entity that has established a historic structure credit or has received a credit through a sale, assignment, or allocation, must file this form in order to claim the credit. In addition to submitting this form, you must also submit all applicable Historic Structure Credit Certificates (Form 05-901). The total amount of credit claimed from Item 6 of this form must be entered on the Texas Franchise Tax Credits Summary Schedule (Form 05-160) Item 20. This form and information are not required to be submitted if a historic structure credit is not being claimed on the current report.

Item 1. Owner ID
Enter the ID number of the entity that owns the historic structure credit. The ID number is an 11-digit number issued by the Comptroller's office upon establishment, assignment, purchase, or allocation of the credit. The ID number can be the same as the owner's Texas taxpayer number. If the owner is an affiliate, their information must be included on the franchise tax report. The owner claiming the credit must be subject to franchise tax.

Item 2. Legal name
Enter the legal name of the entity with the historic structure credit. Do not enter a doing business as (DBA) name in this space.

Item 3. Certificate of Eligibility Number
Enter the Certificate of Eligibility number issued by the Texas Historical Commission (THC).

Item 4. Historic Structure Credit Certificate Number
Enter the Historic Structure Credit Certificate number issued by the Comptroller's office. The 10-digit number is found in the top-right corner of the Historic Structure Credit Certificate (Form 05-901) issued by the Comptroller.

Item 5. Credit Claimed
Enter the amount of credit claimed against the certificate in Item 4 of the same section. The amount claimed must not exceed your total franchise tax liability and must not exceed the amount of the certificate.

Item 6. Total Credit Claimed
Enter the total amount of Historic Structure Credit claimed in Item 5 of each historic structure credit listed on this page. If you have no additional pages, enter this amount in Item 20 of the Credit Summary Schedule, Form 05-160. If you have additional pages, you must total the amount from Item 6 of all attached pages and enter the amount in Item 20 of the Credit Summary Schedule, Form 05-160.

Note: For each historic structure credit claimed, all applicable Historic Structure Credit Certificates (Form 05-901) must be filed with this supplement to claim the credit.

For additional information on all instructions in this booklet, refer to the following franchise tax rules:

3.574 New Veteran-Owned Business
3.581 Margin: Taxable and Nontaxable Entities
3.582 Margin: Passive Entities
3.583 Margin: Exemptions
3.584 Margin: Reports and Payments
3.585 Margin: Annual Report Extensions
3.586 Margin: Nexus
3.587 Margin: Total Revenue
3.588 Margin: Cost of Goods Sold
3.589 Margin: Compensation
3.590 Margin: Combined Reporting
3.591 Margin: Apportionment
3.592 Margin: Additional Tax
3.593 Margin: Franchise Tax Credit
3.594 Margin: Temporary Credit for Business Loss Carryforwards
3.598 Margin: Tax Credit for Certified Rehabilitation of Certified Historic Structures
3.599 Margin: Research and Development Activities Credit

All of these rules can be viewed on the Comptroller's website at www.comptroller.texas.gov.