



JULY 2014

TAX TOPICS

SALES AND USE TAX

Texas Comptroller of
Public Accounts

Buying an Existing Business

Before you buy an existing business, find out if the owner owes any Texas taxes.

If you plan to buy an existing business, the inventory of an existing business or the name and goodwill of an existing business, be sure to contact the Comptroller's office and request a Certificate of No Tax Due. Failing to do so makes you, (the purchaser), liable for any past due state taxes or fees, plus any interest and penalties that are owed by the business.

Texas Tax Code Section 111.020 provides that if a person who is liable for a tax sells the business, the successor to the seller must withhold an amount of the purchase price sufficient to pay the amount of taxes due unless:

- the seller provides a receipt or statement from the Comptroller showing the tax has been paid or that no amount is due, or
- the purchaser requests and receives a Certificate of No Tax Due from the Comptroller.

If you are buying a business through an escrow company, you should ensure that the escrow company requests the Certificate of No Tax Due on your behalf. It is important to remember that if the current owner owes taxes and escrow closes without a Certificate of No Tax Due, the purchaser is liable for the unpaid taxes up to the purchase price for the business, including any assumption of indebtedness.

The Certificate of No Tax Due is tax specific. Therefore, all state taxes for which the business is liable will be reviewed and subject to audit. Each tax for which the business is liable will be addressed separately, but only one request is required.

If the Comptroller's office determines the current business owner owes taxes and does not issue the Certificate of No Tax Due, the purchaser is required to withhold a sufficient amount from the purchase price of the business to cover any taxes, penalty and interest owed until the seller produces one of the following:

- a receipt from the Comptroller's office showing all the liability has been paid, or
- a Certificate of No Tax Due.

The purchaser or seller of the business can request the Certificate of No Tax Due. Because of confidentiality laws regarding certain tax information, the Comptroller's office is limited in what information can be released without written permission from the seller. For example, if taxes are due and the purchaser requested the Certificate of No Tax Due, the seller must provide the Comptroller with written authorization to release the amount of tax due to the purchaser. In addition, when the request for the certificate is made by the purchaser, all account information provided to the purchaser will also be sent to the seller. If a Certificate of No Tax Due cannot be issued, the purchaser must contact the seller to clear the account.

FOR MORE INFORMATION,
SEARCH OUR WEBSITE AT
Comptroller.Texas.Gov

OR CALL
1-800-344-7916.

This publication is intended as a general guide and not as a comprehensive resource on the subjects covered. It is not a substitute for legal advice.

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BUYING AN EXISTING BUSINESS

The request for a Certificate of No Tax Due must be submitted in writing and sent to this address:

Texas Comptroller of Public Accounts

P. O. Box 13528

Austin, Texas 78711-3528

You may fax the request to 512-475-0349 or via email: cntd@cpa.texas.gov.

The request must include the seller's 11-digit Texas taxpayer number; name of business being sold; requester's contact information (including name, telephone number, fax number and address); and name of purchaser. There is no charge for the certificate.

An auditor will review the request for a Certificate of No Tax Due and, if necessary, audit the seller's business records.

One of three results will be sent in writing to the seller:

- a Certificate of No Tax Due if the business does not owe any tax;
- a letter explaining why one could not be issued; or
- a Notification of Audit Results if there was an audit.

Processing a request for the Certificate of No Tax Due can take up to 90 days if an audit of the seller's books and records is necessary. If an audit is not required, the Certificate of No Tax Due or letter listing the amounts owed is usually issued within 10 days from the date of receiving the request.

For more information, call 1-800-344-7916, or email us at: cntd@cpa.texas.gov.

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