

# TaxAlert

## STATE AND LOCAL TAX

August 2009

### **Title:** Texas Franchise Tax Extensions: August 15 or November 15 Deadline?

#### **Summary:**

Special rules for Texas EFT filers who seek to extend filing date from August 15 to November 15

#### **Details:**

Texas franchise tax annual reports are due May 15 each year. Taxpayers that filed for extensions on or before May 15 should be aware (or beware) of the difference between extensions for entities required to pay franchise tax by electronic funds transfer (“EFT”) and those not required to pay franchise tax by EFT.

As background, all taxpayers seeking extensions must remit with the extension request 100% of the prior year’s tax liability or 90% of the tax that will be due for the current year. For non-EFT taxpayers, Texas Tax Code Section 171.202(c) authorizes an extension of time to file annual reports until November 15.

For EFT taxpayers, Texas Tax Code Section 171.202(e) provides that taxpayers required to pay franchise tax by EFT may request an extension of time to file annual reports until August 15. EFT taxpayers may request an additional extension of time to file the annual report to November 15 by requesting the second extension on or before August 15. However, at the time of requesting this second extension to file the annual report, the EFT taxpayer must remit with such a request the excess (if any) of the tax estimated to be reflected on the report when it is finally filed over the amount of tax previously remitted.

**EFT Requirement Refresher:** A taxpayer that paid \$10,000 or more in franchise tax during the preceding state fiscal year (September 1 through August 31) must pay the current-year franchise tax by EFT. A taxpayer must also pay by EFT if it received a notice from the Comptroller of Public Accounts requiring it to do so. For example, if the taxpayer paid \$15,000 in sales tax and \$8,000 in franchise tax during the preceding state fiscal year, there is no requirement to pay its franchise tax liability by EFT *unless* the Comptroller has sent the taxpayer a notice requiring payment of the tax by EFT.

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