GUIDE

Texas franchise tax, explained

Texas franchise tax applies to most LLCs, corporations and limited partnerships doing business in Texas. For 2026 and 2027 reports, you owe nothing if total revenue is $2,650,000 or less, but you still file an information report by May 15. Above that, the rate is 0.75%, or 0.375% for retail and wholesale.

QUICK FACTS

- **Threshold.** No tax due at or under $2,650,000 for 2026 and 2027 reports
- **Due.** Report and information report due May 15
- **Rates.** 0.75%, 0.375% for retail and wholesale, or 0.331% EZ

Who owes Texas franchise tax?

It applies to "taxable entities" formed in Texas or doing business here: corporations, LLCs (including single-member LLCs), limited partnerships, professional associations, business trusts and similar entities. It doesn't apply to sole proprietorships, to general partnerships owned directly by people, or to certain passive entities. Out-of-state businesses are covered once they have $500,000 or more of Texas gross receipts in a year, or a physical presence here.

How much do I owe?

ITEM	2026 AND 2027 REPORTS
No tax due threshold	$2,650,000 of total annualized revenue
Rate, most businesses	0.75% of taxable margin
Rate, retail and wholesale	0.375% of taxable margin
EZ computation	0.331% of apportioned revenue, if revenue is $20 million or less
Minimum	No tax is due if the computed tax is under $1,000

Taxable margin is revenue minus the largest of 30% of revenue, cost of goods sold, compensation or $1 million. Then it's apportioned by the share of your receipts from Texas. Our Texas franchise tax calculator works through it.

General information, not tax advice for your situation.

What do I file if I owe nothing?

Every taxable entity files something each year, even with no tax due. Since 2024 there's no separate No Tax Due Report for most entities. Instead:

- Corporations and LLCs file a **Public Information Report** (Form 05-102), listing officers, directors or managers
- Partnerships and other entities file an **Ownership Information Report** (Form 05-167)

When is it due?

May 15 each year, based on the accounting year that ended in the previous calendar year. A new business files its first report the May after the year it formed. You can request an extension, which moves the due date for most filers to August 15, and later for some payers.

What happens if I don't file?

The Comptroller charges a $50 penalty on each late report, plus penalties and interest on any tax due. Keep missing reports and the Comptroller forfeits your right to transact business in Texas, then the Secretary of State can forfeit the entity's charter. That can make owners personally liable for company debts, which defeats the point of forming the LLC. Reinstatement means filing every missing report and paying what's owed.

Common questions

Does a single-member LLC owe Texas franchise tax?
It's subject to it. Under the $2,650,000 threshold it owes no tax, but it still files a Public Information Report by May 15 each year.

Do I file a franchise tax report if my LLC made no money?
Yes. Owing no tax doesn't remove the filing. File the information report by May 15.

Is Texas franchise tax the same as income tax?
No. It's based on revenue and margin, not profit, and it's paid by the entity. Texas has no personal income tax.

When is my first Texas franchise tax report due?
May 15 of the year after the year you formed or registered in Texas.

Want your business return done?

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