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# SALT Digest

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Issue #1 - Texas

## News and Updates on State and Local Taxes

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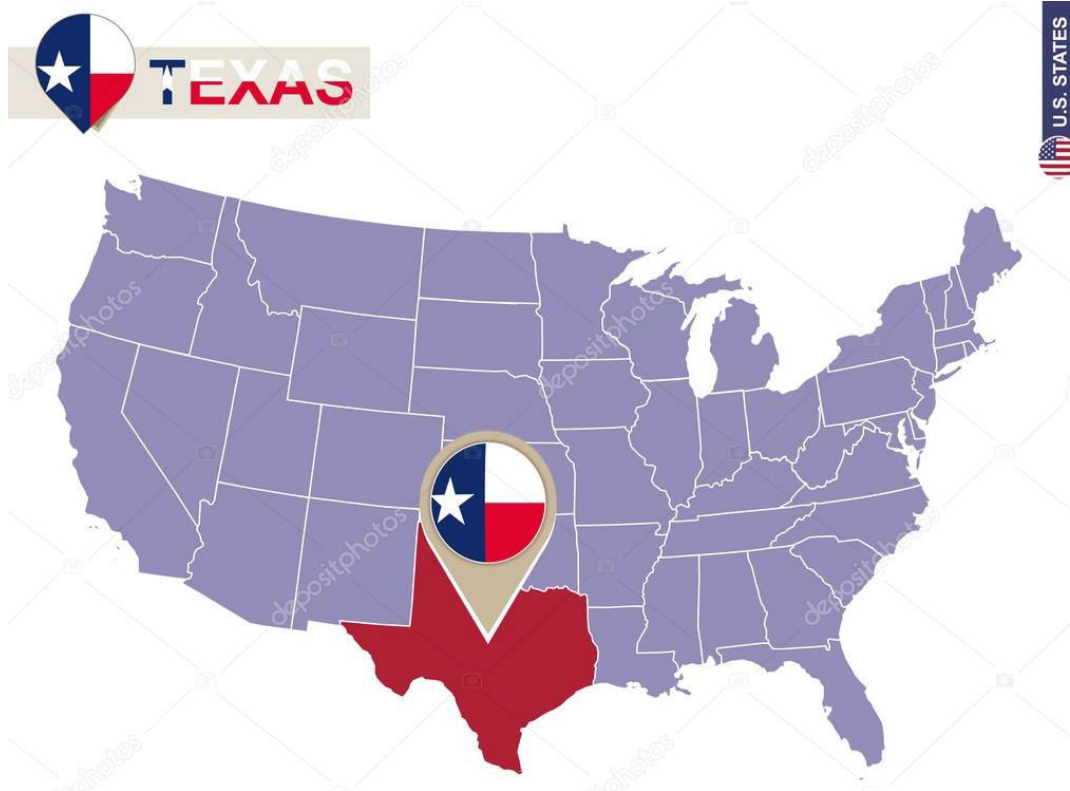
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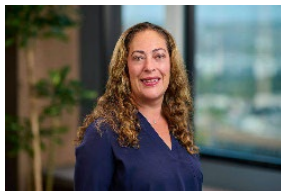
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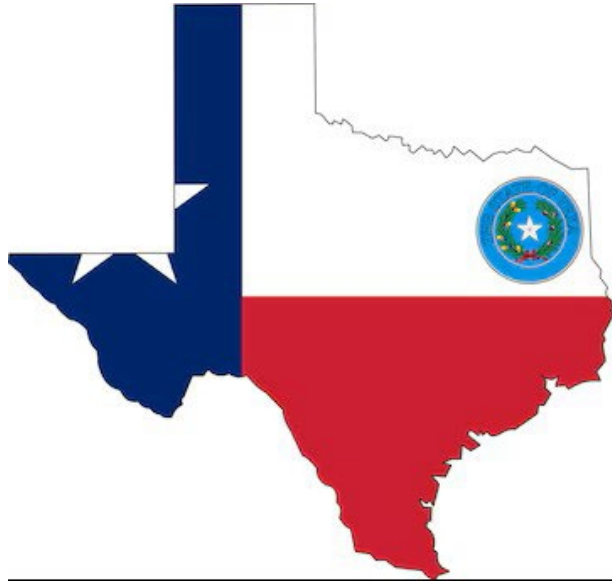


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## Texas Franchise Tax

- By Anastasia Sicz, CPA, MBA and Jennifer Kolterman, CPA, MST

The Texas franchise tax is a privilege tax imposed on each taxable entity chartered, organized, or doing business in Texas. The process involves both registration with the state and ongoing annual filing requirements with the Texas Comptroller of Public Accounts. Entities with \$500,000 or more in Texas-sourced gross receipts have economic nexus and must file, even without physical presence in Texas. Physical presence established physical nexus on the first day of being present in the state (34 Tex. Admin. Code §3.586). In both cases, registration with the Secretary of State is required. Foreign entities that transact business in Texas for more than 90 days without registering are subject to a late filing fee equal to the registration fee for each full or partial calendar year that the foreign entity transacted unauthorized business in Texas (Tex. Tax Code §171.001).



## Common Errors and How to Avoid Them

- Do not submit franchise tax questionnaires or returns on paper unless instructed, as these may not be processed before your account is established (Tex. Bus. Orgs. Code §9.051)
- Always use the correct Webfile number prefix ("XT" for Franchise Tax) when filing online.
- For Secretary of State registration, consult your legal team to ensure all filings are completed correctly.
- Monitor your correspondence from the Texas Comptroller, especially as the May 15 filing deadline approaches.
- Follow the state guidance on what filing form to use for your business
- Evaluate filing per gross receipts, each year may be a different form
- Franchise Tax Filing is always due on May 15. Fiscal year filers use data for year end before the due date

## Registration Process

**There are certain steps to be taken when the economic or physical nexus has been established to be compliant with the state (Tex. Bus. Orgs. Code §9.001, §9.004):**

1. Register with Texas Secretary of State, date is based on when the threshold was met.
2. Complete the Franchise Tax Accountability Questionnaire promptly when received. Use electronic filing and the correct Webfile number to avoid processing delays.
3. State will send an acknowledgment that a Franchise Tax Account has been established.
4. Before the due date of May 15, the state will send a paper form with a Webfile number at the top that is used for e-filing.
5. If you have not received your Webfile number after registration, contact the Texas Comptroller's office for assistance.

## Summary

When the threshold of \$500,000 has been met or you establish physical presence, initiate the registration with the Secretary of State within 90 days of first establishing nexus. It is important to promptly complete the Franchise Tax Accountability Questionnaire when you receive it and always use electronic filing along with the correct Webfile number to avoid processing delays, unless instructed otherwise by the state. Follow the current thresholds for filings per state guidance.

For assistance with Texas Franchise Tax registration and filings, please contact our team.