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Lege bill would exclude pass-through payments for commercial RE

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Sen. Florence Shapiro, R-Plano, has filed legislation that would exclude pass-through payments from the state's 2007 revised franchise tax. Also referred to as the margin tax, the revised franchise tax currently includes pass-through payments in a commercial landlord's total taxable revenue.

The bill, SB 1221, would amend the tax code to exempt from total revenue the payments a landlord of commercial property receives from a tenant for property taxes, franchise taxes, insurance premiums and operating expenses. Those payments are typically "passed through" to taxing authorities or vendors providing the services and are not income to the landlord.

The proposal has gone over well with the commercial real estate industry.

"We applaud Sen. Shapiro for taking the lead on fixing this oversight in the revised business franchise tax," said Macey Davis, EVP of Government Affairs for the Real Estate Council of Dallas and chair of the Real Estate Councils of Texas.

"It is fundamentally unfair to categorize the payments we pass through from our tenants to other entities as revenue because they are expenses and landlords do not profit by administering these funds," said Will Munding of the Archon Group and chair of statewide legislative affairs for the Real Estate Council of Dallas.

A companion bill is expected to be filed in the House later this week.