

# This Week in State Tax (TWIST)

June 16, 2025



## Texas: Legislature Simplifies and Extends R&D Franchise Tax Credit

The Texas Legislature passed a bill that extends and modifies the franchise tax credit for certain research and development (R&D) expenses; the credit was previously set to expire on December 31, 2026. The R&D credit is generally calculated as a percentage of the difference between the amount of qualified research expenses incurred in the current period and 50 percent of the average amount of qualified research expenses from the three most recent tax periods. The bill does not change this basic calculation, but it increases the rate at which such expenses are credited to a new general rate of 8.722 percent of the difference.

Additionally, the bill allows certain taxable entities that do not owe any franchise tax for the period to claim and receive a refund in the amount of the credit it would have received had it owed tax. Taxpayers who may benefit from the refundability of the revised credit include new veteran-owned businesses, entities with less than a \$1,000 franchise tax liability, and entities whose total revenue from its entire business fall below the prescribed "no tax due" threshold. The bill also redefines a "qualified research expense" to tie specifically to the portion of the amount reported on line 48 of federal Form 6765 for the tax year in question attributable to research conducted in Texas; this provision replaces the current definition that tied to the federal definition of R&D expenses as codified in the IRC for tax year 2014. The new version of the R&D credit will be effective starting January 1, 2026. Contact [Jeffrey Benson](#) or [Karey Barton](#) with questions about [S.B. 2206](#).

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