

By: Delisi

H.B. No. 695

A BILL TO BE ENTITLED

AN ACT

relating to franchise tax deductions and exemptions for certain business activities involving desalination devices.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF TEXAS:

SECTION 1. Subchapter B, Chapter 171, Tax Code, is amended by adding Section 171.088 to read as follows:

Sec. 171.088. EXEMPTION--CORPORATION ENGAGED IN BUSINESS INVOLVING DESALINATION DEVICES. (a) In this section:

(1) "Brine" means water that:

(A) is discharged from a desalination device;

(B) contains a high concentration of salt; and

(C) may contain a constituent used in a pretreatment process.

(2) "Desalination device" means a system or a series of mechanisms designed primarily to remove salt from seawater and produce desalted water and brine.

(b) A corporation engaged solely in the business of manufacturing, selling, or installing desalination devices is exempted from the franchise tax.

SECTION 2. Subchapter C, Chapter 171, Tax Code, is amended by adding Section 171.108 to read as follows:

Sec. 171.108. DEDUCTION OF COST OF DESALINATION DEVICE. (a) In this section, "desalination device" has the meaning assigned by Section 171.088.

1 (b) A corporation may deduct from its apportioned taxable
2 capital the amortized cost of a desalination device or from its
3 apportioned taxable earned surplus 10 percent of the amortized cost
4 of a desalination device if:

5 (1) the device is acquired by the corporation for
6 removing salt from seawater;

7 (2) the device is used in this state by the
8 corporation; and

9 (3) the cost of the device is amortized:

10 (A) beginning in the month in which the device is
11 placed in service in this state;

12 (B) in equal monthly amounts for a period of at
13 least 60 months; and

14 (C) only for a period in which the device is used
15 in this state.

16 (c) A corporation that makes a deduction under this section
17 shall file with the comptroller an amortization schedule showing
18 the period in which a deduction will be made. On the request of the
19 comptroller, the corporation shall file with the comptroller proof
20 of the cost of the desalination device or of the device's operation
21 in this state.

22 (d) A corporation may elect to make the deduction under this
23 section either from apportioned taxable capital or apportioned
24 taxable earned surplus for each regular annual period. An election
25 for an initial tax period applies to the second tax period and to
26 the first regular annual period.

27 SECTION 3. (a) This Act takes effect January 1, 2004.

1 (b) The change in law made by this Act does not affect taxes
2 imposed before the effective date of this Act, and the law in effect
3 before the effective date of this Act is continued in effect for the
4 purposes of the liability for and collection of those taxes.

5 (c) The change in law made by Section 171.108, Tax Code, as
6 added by this Act, applies only to a report originally due on or
7 after the effective date of this Act. A corporation may claim a
8 deduction under Section 171.108, Tax Code, as added by this Act,
9 only for an expenditure made on or after the effective date of this
10 Act.