

By: Estes

S.B. No. 696

A BILL TO BE ENTITLED

AN ACT

1
2 relating to franchise tax deductions and exemptions for certain
3 business activities involving desalination devices.

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

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

7 Sec. 171.088. EXEMPTION--CORPORATION ENGAGED IN BUSINESS
8 INVOLVING DESALINATION DEVICES. (a) In this section,
9 "desalination device" means a system or a series of mechanisms
10 designed primarily to remove salt from water and produce desalted
11 water.

12 (b) A corporation engaged solely in the business of
13 manufacturing, selling, and installing desalination devices
14 capable of producing at least 3,000 gallons of desalted water a day
15 is exempted from the franchise tax.

16 (c) This section expires September 1, 2016.

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

19 Sec. 171.108. DEDUCTION OF COST OF DESALINATION DEVICE.

20 (a) In this section, "desalination device" has the meaning
21 assigned by Section 171.088.

22 (b) A corporation may deduct from its apportioned taxable
23 capital the amortized cost of a desalination device or from its
24 apportioned taxable earned surplus 10 percent of the amortized cost

1 of a desalination device if:

2 (1) the device is acquired by the corporation for
3 removing salt from water;

4 (2) the device is used in this state by the
5 corporation;

6 (3) the device reduces or eliminates the amount of
7 fresh surface water or groundwater that the corporation uses; and

8 (4) the cost of the device is amortized:

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

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

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

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

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

26 (e) This section expires September 1, 2016.

27 SECTION 3. (a) This Act takes effect January 1, 2006, and

1 applies to a report originally due on or after that date.

2 (b) A corporation may claim a deduction under Section
3 171.108, Tax Code, as added by this Act, only for an expenditure
4 made on or after the effective date of this Act.