

By: Nelson

S.B. No. 1106

A BILL TO BE ENTITLED

AN ACT

relating to exempting certain purchases of machinery and equipment used for research or development from sales and use taxes.

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

SECTION 1. Subchapter H, Chapter 151, Tax Code, is amended by adding Section 151.3182 to read as follows:

Sec. 151.3182. EQUIPMENT USED IN RESEARCH OR DEVELOPMENT.

(a) In this section, "manufacturing" has the meaning assigned by Section 151.318.

(b) There are exempted from the taxes imposed by this chapter machinery, equipment, and replacement parts that are used directly in the research or development of inventions, products, processes, or technology by a person that is primarily engaged in:

(1) the manufacturing, processing, or fabrication of tangible personal property for ultimate sale; or

(2) the performance of scientific or technical services for a person described by Subdivision (1).

(c) The exemption does not include:

(1) office equipment or supplies; or

(2) equipment or supplies used in sales or distribution activities or in transportation activities.

(d) The exemption provided by Subsection (b) takes effect January 1, 2010. Until that date, a person is entitled to a credit or refund of a portion of the taxes paid under this chapter on an

1 item that, after January 1, 2010, will be exempted from the taxes
2 imposed by this chapter under Subsection (b). The amount of the
3 credit or refund is determined as follows:

4 (1) for an item for which the taxable event occurs on
5 or after January 1, 2006, and before January 1, 2007, the taxpayer
6 is entitled to a refund or credit in an amount equal to 20 percent of
7 the tax paid on the item;

8 (2) for an item for which the taxable event occurs on
9 or after January 1, 2007, and before January 1, 2008, the taxpayer
10 is entitled to a refund or credit in an amount equal to 40 percent of
11 the tax paid on the item;

12 (3) for an item for which the taxable event occurs on
13 or after January 1, 2008, and before January 1, 2009, the taxpayer
14 is entitled to a refund or credit in an amount equal to 60 percent of
15 the tax paid on the item; and

16 (4) for an item for which the taxable event occurs on
17 or after January 1, 2009, and before January 1, 2010, the taxpayer
18 is entitled to a refund or credit in an amount equal to 80 percent of
19 the tax paid on the item.

20 (e) A taxpayer entitled to a credit or refund under
21 Subsection (d) may elect to receive either a credit or a refund. A
22 taxpayer who elects to receive a credit must claim the credit on the
23 return for a period that ends not later than the first anniversary
24 of the date on which the taxable event occurred. A taxpayer who
25 elects to receive a refund must apply to the comptroller for the
26 refund before or during the calendar year following the year in
27 which the tax on the item was paid.

1 SECTION 2. (a) This Act takes effect January 1, 2006.

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