

Amend proposed **CSHB 3**, on page 38, between lines 21 and 22, by inserting a new Section 171.1015, Tax Code, to read as follows:

Sec. 171.1015. REPORTING FOR CERTAIN PARTNERSHIPS IN TIERED PARTNERSHIP ARRANGEMENT. (a) In this section, "tiered partnership arrangement" means an ownership structure in which all of the interests in one partnership, trust, limited liability company that is treated for federal income taxes as a partnership or a limited liability company treated as an S corporation for federal income tax purposes (an "upper tier partnership") are owned by one or more other taxable entities (a "lower tier entity"). A tiered partnership arrangement may have two or more tiers.

(b) In addition to the tax it is required to pay under this chapter on its own taxable margin, a taxable entity that is a lower tier entity may pay the tax on the taxable margin of a higher tier partnership if the higher tier partnership submits a report to the comptroller showing the amount of taxable margin that each lower tier entity that owns it should include within the lower tier entity's own taxable margin, according to the profits interest of the lower tier entity. An upper tier partnership is not required to pay tax under this chapter on any taxable margin reported under this section.

(c) This section does not apply to that percentage of the taxable margin attributable to a lower tier entity by a upper tier partnership if the lower tier entity is not subject to the tax under this chapter. In this case, the higher tier partnership is liable for the tax on its taxable margin.

(d) The comptroller shall adopt rules to administer this section.