

By: Keffer

H.B. No. 3928

A BILL TO BE ENTITLED

AN ACT

relating to technical changes to the revised franchise tax.

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

SECTION 1. Section 171.0001, Tax Code, as effective January 1, 2008, is amended by amending Subdivisions (8), (9), (10), and (17) and adding Subdivisions (11-a) and (13-a) to read as follows:

(8) "Controlling interest" means:

(A) for a corporation, either 80 percent or more, owned directly or indirectly, of the total combined voting power of all classes of stock of the corporation, or 80 percent or more, owned directly or indirectly, of the beneficial ownership interest in the voting stock of the corporation; ~~and~~

(B) for a partnership, association, trust, or other entity other than a limited liability company, 80 percent or more, owned directly or indirectly, of the capital, profits, or beneficial interest in the partnership, association, trust, or other entity; and

(C) for a limited liability company, either 80 percent or more, owned directly or indirectly, of the total membership interest of the limited liability company or 80 percent or more, owned directly or indirectly, of the beneficial ownership interest in the membership interest of the limited liability company.

(9) "Internal Revenue Code" means the Internal Revenue

1 Code of 1986 in effect for the federal tax year beginning on January
2 1, 2007 [~~2006~~], not including any changes made by federal law after
3 that date, and any regulations adopted under that code applicable
4 to that period.

5 (10) "Lending institution":

6 (A) means a depository institution, or the
7 subsidiary or affiliate of that depository institution, whose
8 deposits are insured by the Federal Deposit Insurance Corporation
9 and:

10 (i) [~~an entity that makes loans and~~] is
11 regulated by the Federal Reserve Board, the Office of the
12 Comptroller of the Currency, the Federal Deposit Insurance
13 Corporation, or the Office of Thrift Supervision; or

14 (ii) is licensed by, registered with, or
15 otherwise regulated by the Texas Department of Banking, the Office
16 of Consumer Credit Commissioner, the Department of Savings and
17 Mortgage Lending, the Credit Union Department, or any comparable
18 regulatory body; and

19 (B) includes an entity that makes loans and is
20 regulated by the Commodity Futures Trading Commission, or an entity
21 that is a "broker" or "dealer" as defined by the Securities Exchange
22 Act of 1934 at 15 U.S.C. Section 78c.

23 (11-a) "Natural person" means a human being or the
24 estate of a human being. The term does not include a purely legal
25 entity given recognition as the possessor of rights, privileges, or
26 responsibilities, such as a corporation, limited liability
27 company, partnership, or trust.

1 (13-a) "Security" has the meaning assigned by Section
2 475(c)(2), Internal Revenue Code, and includes instruments
3 described by Sections 475(e)(2)(B), (C), and (D) of that code.

4 (17) "Unitary business" means a single economic
5 enterprise that is made up of separate parts of a single entity or
6 of a commonly controlled group of entities that are sufficiently
7 interdependent, integrated, and interrelated through their
8 activities so as to provide a synergy and mutual benefit that
9 produces a sharing or exchange of value among them and a significant
10 flow of value to the separate parts. In determining whether a
11 unitary business exists, the comptroller shall consider any
12 relevant factor, including whether:

13 (A) the activities of the group members[+
14 ~~(i)~~] are in the same general line, such as
15 manufacturing, wholesaling, retailing of tangible personal
16 property, insurance, transportation, or finance; [~~or~~]

17 (B) the activities of the group members ~~(ii)~~
18 are steps in a vertically structured enterprise or process, such as
19 the steps involved in the production of natural resources,
20 including exploration, mining, refining, and marketing; or [~~and~~]

21 (C) ~~(B)~~ the members are functionally
22 integrated through the exercise of strong centralized management,
23 such as authority over purchasing, financing, product line,
24 personnel, and marketing.

25 SECTION 2. Section 171.0002, Tax Code, as effective January
26 1, 2008, is amended to read as follows:

27 Sec. 171.0002. DEFINITION OF TAXABLE ENTITY. (a) Except as

1 otherwise provided by this section, "taxable entity" means a
2 partnership, limited liability partnership, corporation, banking
3 corporation, savings and loan association, limited liability
4 company, business trust, professional association, business
5 association, joint venture, joint stock company, holding company,
6 or other legal entity. The term includes a combined group. A joint
7 venture does not include joint operating or co-ownership
8 arrangements meeting the requirements of Treasury Regulation
9 Section 1.761-2(a)(3) that elect out of federal partnership
10 treatment as provided by Section 761(a), Internal Revenue Code.

11 (b) "Taxable entity" does not include:

12 (1) a sole proprietorship;

13 (2) a general partnership:

14 (A) the direct ownership of which is entirely
15 composed of natural persons; and

16 (B) the liability of which is not limited under a
17 statute of this state or another state, including by registration
18 as a limited liability partnership;

19 (3) a passive entity as defined by Section 171.0003;

20 or

21 (4) an entity that is exempt from taxation under
22 Subchapter B.

23 (c) "Taxable entity" does not include an entity that is:

24 (1) a grantor trust as defined by Sections 671 and
25 7701(a)(30)(E), Internal Revenue Code, all of the grantors and
26 beneficiaries of which are natural persons or charitable entities
27 as described in Section 501(c)(3), Internal Revenue Code, excluding

1 a trust taxable as a business entity pursuant to Treasury
2 Regulation Section 301.7701-4(b);

3 (2) an estate of a natural person as defined by Section
4 7701(a)(30)(D), Internal Revenue Code, excluding an estate taxable
5 as a business entity pursuant to Treasury Regulation Section
6 301.7701-4(b);

7 (3) an escrow;

8 (4) ~~[a family limited partnership that is a passive
9 entity in which at least 80 percent of the interests are held,
10 directly or indirectly, by members of the same family, including an
11 individual's ancestors, lineal descendants, spouse, and brothers
12 and sisters by the whole or half blood, and the estate of any of
13 these persons, and that is a limited partnership;~~

14 ~~[(A) formed pursuant to the Texas Revised Limited
15 Partnership Act (Article 6132a-1, Vernon's Texas Civil Statutes);~~

16 ~~[(B) formed pursuant to the limited partnership
17 law of any other state; or~~

18 ~~[(C) treated as a partnership for federal income
19 tax purposes;~~

20 ~~[(5) a passive investment partnership that is a
21 passive entity and that is:~~

22 ~~[(A) formed pursuant to the Texas Revised Limited
23 Partnership Act (Article 6132a-1, Vernon's Texas Civil Statutes);~~

24 ~~[(B) formed pursuant to the limited partnership
25 law of any other state; or~~

26 ~~[(C) formed pursuant to the limited partnership
27 laws of any foreign country;~~

1 ~~[(6) a passive investment partnership that is a~~
2 ~~passive entity and is a general partnership;~~

3 ~~[(7) a trust that is a passive entity;~~

4 ~~[(A) that is taxable as a trust under Section~~
5 ~~641, Internal Revenue Code;~~

6 ~~[(B) all of the beneficiaries of which are~~
7 ~~natural persons or charitable entities as defined in Section~~
8 ~~501(c)(3), Internal Revenue Code;~~

9 ~~[(C) that is not a trust taxable as a business~~
10 ~~entity pursuant to Treasury Regulation Section 301.7701-4(b); and~~

11 ~~[(D) that is organized as a trust and is~~
12 ~~described in Section 7701(a)(30)(E), Internal Revenue Code;~~

13 ~~[(8)]~~ a real estate investment trust (REIT) as defined
14 by Section 856, Internal Revenue Code, and its "qualified REIT
15 subsidiary" entities as defined by Section 856(i)(2), Internal
16 Revenue Code, provided that:

17 (A) a REIT with any amount of its assets in direct
18 holdings of real estate, other than real estate it occupies for
19 business purposes, as opposed to holding interests in limited
20 partnerships or other entities that directly hold the real estate,
21 is a taxable entity; and

22 (B) a limited partnership or other entity that
23 directly holds the real estate as described in Paragraph (A) is not
24 exempt under this subdivision, without regard to whether a REIT
25 holds an interest in it; ~~[or]~~

26 (5) ~~[(9)]~~ a real estate mortgage investment conduit
27 (REMIC), as defined by Section 860D, Internal Revenue Code;

1 (6) a nonprofit self-insurance trust created under
2 Chapter 2212, Insurance Code, or a predecessor statute;

3 (7) a trust qualified under Section 401(a), Internal
4 Revenue Code; or

5 (8) a trust or other entity that is exempt under
6 Section 501(c)(9), Internal Revenue Code.

7 (d) An entity that can file as a sole proprietorship for
8 federal tax purposes is not a sole proprietorship for purposes of
9 Subsection (b)(1) and is not exempt under that subsection if the
10 entity is formed in a manner under the statutes of this state, ~~[or]~~
11 another state, or a foreign country that limit the liability of the
12 entity.

13 SECTION 3. Section 171.0004(e), Tax Code, as effective
14 January 1, 2008, is amended to read as follows:

15 (e) For purposes of this section:

16 (1) the ownership of a royalty interest or a
17 nonoperating working interest in mineral rights does not constitute
18 conduct of an active trade or business; ~~[and]~~

19 (2) payment of compensation to employees or
20 independent contractors for financial or legal services reasonably
21 necessary for the operation of the entity does not constitute
22 conduct of an active trade or business; and

23 (3) holding a seat on the board of directors of an
24 entity does not by itself constitute conduct of an active trade or
25 business.

26 SECTION 4. Section 171.001, Tax Code, as effective January
27 1, 2008, is amended by adding Subsection (c) to read as follows:

1 (c) The tax imposed under this section or Section 171.0011
2 is not imposed on an entity if, during the period on which the
3 report is based, the entity qualifies as a passive entity as defined
4 by Section 171.0003.

5 SECTION 5. Section 171.0011(b), Tax Code, as effective
6 January 1, 2008, is amended to read as follows:

7 (b) The additional tax is equal to the appropriate rate
8 under Section 171.002 of the taxable entity's taxable margin
9 computed on the period beginning on the day after the last day for
10 which the tax imposed on taxable margin or net taxable earned
11 surplus was computed and ending on the date the taxable entity is no
12 longer subject to the tax imposed under this chapter.

13 SECTION 6. Sections 171.002(a), (b), (c), and (d), Tax
14 Code, as effective January 1, 2008, are amended to read as follows:

15 (a) Subject to Section 171.003 and except as provided by
16 Subsection (b), the rate of the franchise tax is one percent [~~per~~
17 ~~year of privilege period~~] of taxable margin.

18 (b) The rate of the franchise tax is 0.5 percent [~~per year of~~
19 ~~privilege period~~] of taxable margin for those taxable entities
20 primarily engaged in retail or wholesale trade.

21 (c) A taxable entity is primarily engaged in retail or
22 wholesale trade only if:

23 (1) the total revenue from its activities in retail or
24 wholesale trade is greater than the total revenue from its
25 activities in trades other than the retail and wholesale trades;

26 (2) except as provided by Subsection (c-1), less than
27 50 percent of the total revenue from activities in retail or

1 wholesale trade comes from the sale of products it produces or
2 products produced by an entity that is part of an affiliated group
3 to which the taxable entity also belongs; and

4 (3) the taxable entity does not provide retail or
5 wholesale utilities, including telecommunications services, ~~and~~
6 electricity, or gas.

7 (d) A taxable entity is not required to pay any tax and is
8 not considered to owe any tax for a period if:

9 (1) the amount of tax computed for the taxable entity
10 is less than \$1,000; or

11 (2) the amount of the taxable entity's total revenue
12 from its entire business is less than or equal to \$300,000 or the
13 amount determined under Section 171.006 per 12-month period on
14 which margin is based.

15 SECTION 7. The heading to Section 171.006, Tax Code, as
16 effective January 1, 2008, is amended to read as follows:

17 Sec. 171.006. ADJUSTMENT OF ELIGIBILITY FOR NO TAX DUE
18 ~~[EXEMPTION]~~ AND COMPENSATION DEDUCTION.

19 SECTION 8. Section 171.101(d), Tax Code, as effective
20 January 1, 2008, is amended to read as follows:

21 (d) An election under Subsection (a)(1)(B)(ii) shall be
22 made by the taxable entity on its annual report and is effective
23 only for that annual report. A taxable entity shall notify the
24 comptroller of its election not later than the due date of the
25 annual ~~[The election may be changed by filing an amended]~~ report.

26 SECTION 9. Section 171.1011, Tax Code, as effective January
27 1, 2008, is amended by amending Subsections (b), (c), (d), (g-3),

1 (n), and (o) and adding Subsection (t) to read as follows:

2 (b) In this section, a reference to an amount reportable as
3 income [~~entered~~] on a line number on an Internal Revenue Service
4 form includes the corresponding amount reportable as income
5 [~~entered~~] on a variant of the form, or a subsequent form, with a
6 different line number. [~~The comptroller shall adopt rules as~~
7 ~~necessary to accomplish the legislative intent prescribed by this~~
8 ~~subsection and Subsection (a).~~]

9 (c) Except as provided by this section, and subject to
10 Section 171.1014, for the purpose of computing its taxable margin
11 under Section 171.101, the total revenue of a taxable entity is:

12 (1) for a taxable entity treated for federal income
13 tax purposes as a corporation, an amount computed by:

14 (A) adding:

15 (i) the amount reportable as income
16 [~~entered~~] on line 1c, Internal Revenue Service Form 1120; and

17 (ii) the amounts reportable as income
18 [~~entered~~] on lines 4 through 10, Internal Revenue Service Form
19 1120; and

20 (B) subtracting:

21 (i) bad debt expensed for federal income
22 tax purposes that corresponds to items of gross receipts included
23 in Subsection (c)(1)(A) for the current reporting period or a past
24 reporting period;

25 (ii) to the extent included in Subsection
26 (c)(1)(A), foreign royalties and foreign dividends, including
27 amounts determined under Section 78 or Sections 951-964, Internal

1 Revenue Code;

2 (iii) to the extent included in Subsection
3 (c)(1)(A), net distributive income from a taxable entity
4 [~~partnerships and from trusts and limited liability companies~~]
5 treated as a partnership or [~~partnerships for federal income tax~~
6 ~~purposes and net distributive income from limited liability~~
7 ~~companies and corporations treated~~] as an S corporation
8 [~~corporations~~] for federal income tax purposes;

9 (iv) allowable deductions from Internal
10 Revenue Service Form 1120, Schedule C, to the extent the relating
11 dividend income is included in total revenue;

12 (v) to the extent included in Subsection
13 (c)(1)(A), items of income attributable to an entity that is a
14 disregarded entity for federal income tax purposes; and

15 (vi) to the extent included in Subsection
16 (c)(1)(A), other amounts authorized by this section;

17 (2) for a taxable entity treated for federal income
18 tax purposes as a partnership, an amount computed by:

19 (A) adding:

20 (i) the amount reportable as income
21 [~~entered~~] on line 1c, Internal Revenue Service Form 1065;

22 (ii) the amounts reportable as income
23 [~~entered~~] on lines 4 through 7, Internal Revenue Service Form 1065;

24 and

25 (iii) the amounts reportable as income
26 [~~entered~~] on lines 2, 3a, and 5 [~~2~~] through 11, Internal Revenue
27 Service Form 1065, Schedule K; and

1 (B) subtracting:

2 (i) bad debt expensed for federal income
3 tax purposes that corresponds to items of gross receipts included
4 in Subsection (c)(2)(A) for the current reporting period or a past
5 reporting period;

6 (ii) to the extent included in Subsection
7 (c)(2)(A), foreign royalties and foreign dividends, including
8 amounts determined under Section 78 or Sections 951-964, Internal
9 Revenue Code;

10 (iii) to the extent included in Subsection
11 (c)(2)(A), net distributive income from a taxable entity
12 [~~partnerships and from trusts and limited liability companies~~]
13 treated as a partnership or [~~partnerships for federal income tax~~
14 ~~purposes and net distributive income from limited liability~~
15 ~~companies and corporations treated~~] as an S corporation
16 [~~corporations~~] for federal income tax purposes;

17 (iv) to the extent included in Subsection
18 (c)(2)(A), items of income attributable to an entity that is a
19 disregarded entity for federal income tax purposes; and

20 (v) to the extent included in Subsection
21 (c)(2)(A), other amounts authorized by this section; or

22 (3) for a taxable entity other than a taxable entity
23 treated for federal income tax purposes as a corporation or
24 partnership, an amount determined in a manner substantially
25 equivalent to the amount for Subdivision (1) or (2) determined by
26 rules that the comptroller shall adopt.

27 (d) Subject to Section 171.1014, a taxable entity

1 ~~[corporation]~~ that is part of a federal consolidated group shall
2 compute its total revenue under Subsection (c) as if it had filed a
3 separate return for federal income tax purposes.

4 (g-3) A taxable entity that provides legal services shall
5 exclude from its total revenue~~[, to the extent included under~~
6 ~~Subsection (c)(1)(A), (c)(2)(A), or (c)(3)]~~:

7 (1) to the extent included under Subsection (c)(1)(A),
8 (c)(2)(A), or (c)(3), the following flow-through funds that are
9 mandated by law, contract, or fiduciary duty to be distributed to
10 the claimant by the claimant's attorney or to other entities on
11 behalf of a claimant by the claimant's attorney:

12 (A) damages due the claimant;

13 (B) funds subject to a lien or other contractual
14 obligation arising out of the representation, other than fees owed
15 to the attorney;

16 (C) funds subject to a subrogation interest or
17 other third-party contractual claim; and

18 (D) fees paid an attorney in the matter who is not
19 a member, partner, shareholder, or employee of the taxable entity;

20 (2) to the extent included under Subsection (c)(1)(A),
21 (c)(2)(A), or (c)(3), reimbursement of the taxable entity's
22 expenses incurred in prosecuting a claimant's matter that are
23 specific to the matter and that are not general operating expenses;
24 and

25 (3) the actual out-of-pocket expenses of the attorney,
26 not to exceed \$500 per case, of providing pro bono legal services to
27 a person, but only if the attorney maintains records of the pro bono

1 services for auditing purposes in accordance with the manner in
2 which those services are reported to the State Bar of Texas.

3 (n) Except as provided by Subsection (o), a taxable entity
4 that is a health care provider shall exclude from its total
5 revenue [~~, to the extent included under Subsection (c)(1)(A),~~
6 ~~(c)(2)(A), or (c)(3)~~]:

7 (1) to the extent included under Subsection (c)(1)(A),
8 (c)(2)(A), or (c)(3), the total amount of payments the health care
9 provider received:

10 (A) under the Medicaid program, Medicare
11 program, Indigent Health Care and Treatment Act (Chapter 61, Health
12 and Safety Code), and Children's Health Insurance Program (CHIP);

13 (B) for professional services provided in
14 relation to a workers' compensation claim under Title 5, Labor
15 Code; and

16 (C) for professional services provided to a
17 beneficiary rendered under the TRICARE military health system; and

18 (2) the actual cost to the health care provider for any
19 uncompensated care provided, but only if the provider maintains
20 records of the uncompensated care for auditing purposes and, if the
21 provider later receives payment for all or part of that care, the
22 provider adjusts the amount excluded for the tax year in which the
23 payment is received.

24 (o) A health care provider that is a health care institution
25 shall exclude from its total revenue [~~, to the extent included under~~
26 ~~Subsection (c)(1)(A), (c)(2)(A), or (c)(3),~~] 50 percent of the
27 amounts described by Subsection (n).

1 (t) The comptroller shall adopt rules as necessary to
2 accomplish the legislative intent prescribed by this section.

3 SECTION 10. Section 171.1011(1)(1), Tax Code, as effective
4 January 1, 2008, is amended to read as follows:

5 (1) "Sales commission" means:

6 (A) any form of compensation paid to a person for
7 engaging in an act for which a license is required by Chapter 1101,
8 Occupations Code; or ~~and~~

9 (B) compensation paid to a sales representative
10 by a principal in an amount that is based on the amount or level of
11 certain orders for or sales of the principal's product and that the
12 principal is required to report on Internal Revenue Service Form
13 1099-MISC.

14 SECTION 11. Section 171.1012(a)(3)(A), Tax Code, as
15 effective January 1, 2008, is amended to read as follows:

16 (A) "Tangible personal property" means:

17 (i) personal property that can be seen,
18 weighed, measured, felt, or touched or that is perceptible to the
19 senses in any other manner;

20 (ii) films, sound recordings, videotapes,
21 live and prerecorded television and radio programs, books, and
22 other similar property embodying words, ideas, concepts, images, or
23 sound, without regard to the means or methods of distribution or the
24 medium in which the property is embodied, ~~[by the creator of the~~
25 ~~property]~~ for which, as costs are incurred in producing the
26 property, it is intended or is reasonably likely that any
27 ~~[tangible]~~ medium in which the property is embodied will be

1 mass-distributed by the creator or any one or more third parties in
2 a form that is not substantially altered; and

3 (iii) a computer program, as defined by
4 Section 151.0031.

5 SECTION 12. Sections 171.1012(c), (g), (h), and (k), Tax
6 Code, as effective January 1, 2008, are amended to read as follows:

7 (c) The cost of goods sold includes all direct costs of
8 acquiring or producing the goods, including:

9 (1) labor costs;

10 (2) cost of materials that are an integral part of
11 specific property produced;

12 (3) cost of materials that are consumed in the
13 ordinary course of performing production activities;

14 (4) handling costs, including costs attributable to
15 processing, assembling, repackaging, and inbound transportation
16 costs;

17 (5) storage costs, including the costs of carrying,
18 storing, or warehousing property, subject to Subsection (e);

19 (6) depreciation, depletion, and amortization,
20 reported on the federal income tax return on which the report under
21 this chapter is based, to the extent associated with and necessary
22 for the production of goods, including recovery described by
23 Section 197, Internal Revenue Code;

24 (7) the cost of renting or leasing equipment,
25 facilities, or real property directly used for the production of
26 the goods, including pollution control equipment and intangible
27 drilling and dry hole costs;

1 (8) the cost of repairing and maintaining equipment,
2 facilities, or real property directly used for the production of
3 the goods, including pollution control devices;

4 (9) costs attributable to research, experimental,
5 engineering, and design activities directly related to the
6 production of the goods [~~, including all research or experimental~~
7 ~~expenditures described by Section 174, Internal Revenue Code~~];

8 (10) geological and geophysical costs incurred to
9 identify and locate property that has the potential to produce
10 minerals;

11 (11) taxes paid in relation to acquiring or producing
12 any material, or taxes paid in relation to services that are a
13 direct cost of production;

14 (12) the cost of producing or acquiring electricity
15 sold; and

16 (13) a contribution to a partnership in which the
17 taxable entity owns an interest that is used to fund activities, the
18 costs of which would otherwise be treated as cost of goods sold of
19 the partnership, but only to the extent that those costs are related
20 to goods distributed to the taxable entity as goods-in-kind in the
21 ordinary course of production activities rather than being sold.

22 (g) A taxable entity that is allowed a subtraction by this
23 section for a cost of goods sold and that is subject to Section
24 263A, 460, or 471, Internal Revenue Code, may [~~shall~~] capitalize
25 that cost in the same manner and to the same extent that the taxable
26 entity capitalized that cost on its federal income tax return or may
27 expense those costs [~~is required or allowed to capitalize the cost~~

1 ~~under federal law and regulations]~~, except for costs excluded under
2 Subsection (e), or in accordance with Subsections (c), (d), and
3 (f). If the taxable entity elects to capitalize costs, it must
4 capitalize each cost allowed under this section that it capitalized
5 on its federal income tax return. If the taxable entity later
6 elects to begin expensing a cost that may be allowed under this
7 section as a cost of goods sold, the entity may not deduct any cost
8 in ending inventory from a previous report. If the taxable entity
9 elects to expense a cost of goods sold that may be allowed under
10 this section, a cost incurred before the first day of the period on
11 which the report is based may not be subtracted as a cost of goods
12 sold. If the taxable entity elects to expense a cost of goods sold
13 and later elects to capitalize that cost of goods sold, a cost
14 expensed on a previous report may not be capitalized.

15 (h) A taxable entity shall determine its cost of goods sold,
16 except as otherwise provided by this section, in accordance with
17 the methods used on the federal income tax return on which the
18 report under this chapter is based [~~permitted by federal statutes~~
19 ~~and regulations~~]. This subsection does not affect the type or
20 category of cost of goods sold that may be subtracted under this
21 section.

22 (k) Notwithstanding any other provision of this section, if
23 the taxable entity is a lending institution that offers loans to the
24 public and elects to subtract cost of goods sold, the entity, other
25 than an entity primarily engaged in an activity described by
26 category 5932 of the 1987 Standard Industrial Classification Manual
27 published by the federal Office of Management and Budget, may

1 subtract as a cost of goods sold an amount equal to interest
2 expense.

3 SECTION 13. Sections 171.1013(a), (b), and (c), Tax Code,
4 as effective January 1, 2008, are amended to read as follows:

5 (a) Except as otherwise provided by this section, "wages and
6 cash compensation" means the amount entered in the Medicare wages
7 and tips box of Internal Revenue Service Form W-2 or any subsequent
8 form with a different number or designation that substantially
9 provides the same information. The term also includes, to the
10 extent not included above:

11 (1) net distributive income from partnerships and from
12 trusts and limited liability companies treated as partnerships for
13 federal income tax purposes, but only if the person receiving the
14 distribution is a natural person;

15 (2) net distributive income from limited liability
16 companies and corporations treated as S corporations for federal
17 income tax purposes, but only if the person receiving the
18 distribution is a natural person; ~~and~~

19 (3) stock awards and stock options deducted for
20 federal income tax purposes; and

21 (4) net distributive income from a limited liability
22 company treated as a sole proprietorship for federal income tax
23 purposes, but only if the person receiving the distribution is a
24 natural person.

25 (b) Subject to Section 171.1014, a taxable entity that
26 elects to subtract compensation for the purpose of computing its
27 taxable margin under Section 171.101 may subtract an amount equal

1 to:

2 (1) subject to the limitation in Subsection (c), all
3 wages and cash compensation paid by the taxable entity to its
4 officers, directors, owners, partners, and employees; and

5 (2) the cost of all benefits, to the extent deductible
6 for federal income tax purposes, the taxable entity provides to its
7 officers, directors, owners, partners, and employees, including
8 workers' compensation benefits, health care, employer
9 contributions made to employees' health savings accounts, and
10 retirement [~~to the extent deductible for federal income tax~~
11 ~~purposes~~].

12 (c) Notwithstanding the actual amount of wages and cash
13 compensation paid by a taxable entity to its officers, directors,
14 owners, partners, and employees, a taxable entity may not include
15 more than \$300,000, or the amount determined under Section 171.006,
16 per 12-month period on which margin is based, for any person in the
17 amount of wages and cash compensation it determines under this
18 section [~~Section 171.101~~]. If a person is paid by more than one
19 entity of a combined group, the combined group may not subtract in
20 relation to that person a total of more than \$300,000, or the amount
21 determined under Section 171.006, per 12-month period on which
22 margin is based.

23 SECTION 14. Section 171.1014, Tax Code, as effective
24 January 1, 2008, is amended by amending Subsections (b), (d), and
25 (f) and adding Subsections (d-1), (h), and (i) to read as follows:

26 (b) The combined group is a single taxable entity for
27 purposes of the application of the tax imposed under this chapter,

1 including Section 171.002(d).

2 (d) For purposes of Section 171.101, a combined group shall
3 make an election to subtract either cost of goods sold or
4 compensation that applies to all of its members. Regardless of the
5 election, the taxable margin of the combined group may not exceed 70
6 percent of the combined group's total revenue from its entire
7 business, as provided by Section 171.101(a)(1)(A).

8 (d-1) A member of a combined group may claim as cost of goods
9 sold those costs that qualify under Section 171.1012 if the goods
10 for which the costs are incurred are owned by another member of the
11 combined group.

12 (f) For purposes of Section 171.101, a combined group that
13 elects to subtract compensation shall determine that amount by:

14 (1) determining the compensation for each of its
15 members as provided by Section 171.1013 as if each member were an
16 individual taxable entity, subject to the limitation prescribed by
17 Section 171.1013(c);

18 (2) adding the amounts of compensation determined
19 under Subdivision (1) together; and

20 (3) subtracting from the amount determined under
21 Subdivision (2) any compensation amounts paid from one member of
22 the combined group to another member of the combined group, but only
23 to the extent the corresponding item of total revenue was
24 subtracted under Subsection (c)(3).

25 (h) Each taxable entity that is part of a combined group
26 report shall, for purposes of determining margin and apportionment,
27 include its activities for the same period used by the combined

1 group.

2 (i) Each member of the combined group shall be jointly and
3 severally liable for the tax of the combined group.

4 SECTION 15. Section 171.1015, Tax Code, as effective
5 January 1, 2008, is amended to read as follows:

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

16 (b) In addition to the tax it is required to pay under this
17 chapter on its own taxable margin, a taxable entity that is an upper
18 [~~a lower~~] tier entity may pay the tax on the taxable margin of a
19 lower tier entity [~~higher tier partnership~~] if the lower tier
20 entity [~~higher tier partnership~~] submits a report to the
21 comptroller showing the amount of taxable margin that each higher
22 [~~lower~~] tier entity that owns it should include within the higher
23 [~~lower~~] tier entity's own taxable margin, according to the profits
24 interest of the higher [~~lower~~] tier entity. [~~An upper tier~~
25 ~~partnership is not required to pay tax under this chapter on any~~
26 ~~taxable margin reported under this section.~~]

27 (c) This section does not apply to that percentage of the

1 taxable margin attributable to a higher [~~lower~~] tier entity by a
2 lower tier entity [~~an upper tier partnership~~] if the higher [~~lower~~]
3 tier entity is not subject to the tax under this chapter. In this
4 case, the lower tier entity [~~higher tier partnership~~] is liable for
5 the tax on its taxable margin.

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

8 SECTION 16. Section 171.111, Tax Code, as effective January
9 1, 2008, is amended to read as follows:

10 Sec. 171.111. TEMPORARY CREDIT ON TAXABLE MARGIN. (a) On
11 the first report originally due under this chapter on or after
12 January 1, 2008, [~~Not later than March 1, 2007,~~] a taxable entity
13 must [~~may~~] notify the comptroller in writing of its intent to
14 [~~preserve its right to~~] take a credit in an amount allowed by this
15 section on the tax due on taxable margin. The taxable entity may
16 thereafter elect to claim the credit for the current year and future
17 year at or before the original due date of any report due after
18 January 1, 2008 [~~2007~~], until the taxable entity revokes the
19 election or this section expires, whichever is earlier. A taxable
20 entity may claim the credit for not more than 10 [~~20~~] consecutive
21 privilege periods beginning with the first report originally due
22 under this chapter on or after January 1, 2008 [~~2007~~]. A taxable
23 entity may make only one election under this section and the
24 election may not be conveyed, assigned, or transferred to another
25 entity.

26 (b) The credit allowed under this section for any privilege
27 period is computed by:

1 (1) determining the amount of the business loss
2 carryforwards of the taxable entity under Section 171.110(e), as
3 that section applied to annual reports originally due before
4 January 1, 2008, that were not exhausted on a report originally due
5 under this chapter before January 1, 2008~~[, as of the end of the~~
6 ~~taxable entity's accounting year ending in 2006, of the difference~~
7 ~~between (i) the taxable entity's deductible temporary differences~~
8 ~~and net operating loss carryforwards, net of related valuation~~
9 ~~allowance amounts, shown on the taxable entity's books and records~~
10 ~~on the last day of its taxable year ending in 2006, and (ii) the~~
11 ~~taxable entity's taxable temporary differences as shown on those~~
12 ~~books and records on that date. The amount of other net deferred~~
13 ~~tax items may be less than zero. For the purpose of computing the~~
14 ~~amount of the taxable entity's other net deferred tax items, any~~
15 ~~credit carryforward allowed under this chapter shall be excluded~~
16 ~~from the amount of deductible temporary differences to the extent~~
17 ~~such credit carryforward amount, net of any related valuation~~
18 ~~allowance amount, is otherwise included in the taxable entity's~~
19 ~~deductible temporary differences, net of related valuation~~
20 ~~allowance amounts, shown on the taxable entity's books and records~~
21 ~~on the last day of the taxable entity's taxable year ending in~~
22 ~~2006];~~

23 (2) ~~[apportioning the amount determined under~~
24 ~~Subdivision (1) to this state in the same manner taxable margin is~~
25 ~~apportioned under Section 171.106 on the first report due on or~~
26 ~~after January 1, 2007;~~

27 ~~[(3)]~~ multiplying the amount determined under

1 Subdivision (1) [~~(2)~~] by 10 percent; and
2 (3) [~~(4)~~] multiplying the amount determined under
3 Subdivision (2) [~~(3)~~] by the appropriate tax rate prescribed by
4 Section 171.002, as that section applies to an annual report
5 originally due on or after January 1, 2008 [~~171.002(a)(2)~~].

6 (c) [~~A taxable entity that notifies the comptroller of its~~
7 ~~intent to preserve its right to take a credit allowed by this~~
8 ~~section shall submit with its notice of intent a statement of the~~
9 ~~amount determined under Subsection (b)(1).~~] The comptroller may
10 request that the taxable entity submit, with each [~~in the~~] annual
11 report [~~for each succeeding privilege period~~] in which the taxable
12 entity is eligible to take a credit, information relating to the
13 amount determined under Subsection (b)(1). The taxable entity
14 shall submit in the form and content the comptroller requires any
15 information relating to [~~the assets and liabilities that determine~~
16 ~~the amount of the credit,~~] the amount determined under Subsection
17 (b)(1) [~~7~~] or any other matter relevant to the computation of the
18 credit for which the taxable entity is eligible.

19 (d) A credit that a taxable entity is entitled to under this
20 section does not convey, and may not be assigned or transferred, in
21 relation to a transaction in which the taxable entity is purchased
22 by another entity.

23 (d-1) Subject to Subsection (a), a taxable entity may carry
24 forward unused credits. A taxable entity may not claim credits
25 under this section unless the taxable entity was subject to a report
26 based on net taxable earned surplus originally due before January
27 1, 2008.

1 (e) This section expires September 1, 2017 [~~2026~~].

2 SECTION 17. Section 171.1121(b), Tax Code, as effective
3 January 1, 2008, is amended to read as follows:

4 (b) Except as otherwise provided by this section, a taxable
5 entity shall use the same accounting methods to apportion margin as
6 used in computing margin [~~reportable federal taxable income~~].

7 SECTION 18. Section 171.1532(b), Tax Code, as effective
8 January 1, 2008, is amended to read as follows:

9 (b) The tax covering the regular annual period, other than a
10 regular annual period included on the initial report, is based on
11 the business done by the taxable entity during the period beginning
12 with the day after the last date upon which taxable margin or net
13 taxable earned surplus on a previous report was based and ending
14 with its last accounting period ending date for federal income tax
15 purposes in the year before the year in which the report is
16 originally due.

17 SECTION 19. Section 171.201(a), Tax Code, as effective
18 January 1, 2008, is amended to read as follows:

19 (a) Except as provided by Section 171.2022, a taxable entity
20 on which the franchise tax is imposed shall file an initial report
21 with the comptroller containing:

22 (1) financial information of the taxable entity
23 necessary to compute the tax under this chapter [~~showing the~~
24 ~~financial condition of the taxable entity on the day that is the~~
25 ~~last day of a calendar month and that is nearest to the end of the~~
26 ~~taxable entity's first year of business~~];

27 (2) the name and address of:

1 (A) each officer, director, and manager of the
2 taxable entity;

3 (B) for a limited partnership, each general
4 partner;

5 (C) for a general partnership or limited
6 liability partnership, each managing partner or, if there is not a
7 managing partner, each partner; or

8 (D) for a trust, each trustee;

9 (3) the name and address of the agent of the taxable
10 entity designated under Section 171.354; and

11 (4) other information required by the comptroller.

12 SECTION 20. Sections 171.203(a), (b), (d), and (e), Tax
13 Code, as effective January 1, 2008, are amended to read as follows:

14 (a) A corporation or limited liability company on which the
15 franchise tax is imposed, regardless of whether the corporation or
16 limited liability company is required to pay any tax, shall file a
17 report with the comptroller containing:

18 (1) the name of each corporation or limited liability
19 company in which the corporation or limited liability company
20 filing the report owns a 10 percent or greater interest and the
21 percentage owned by the corporation or limited liability company;

22 (2) the name of each corporation or limited liability
23 company that owns a 10 percent or greater interest in the
24 corporation or limited liability company filing the report;

25 (3) the name, title, and mailing address of each
26 person who is an officer or director of the corporation or limited
27 liability company on the date the report is filed and the expiration

1 date of each person's term as an officer or director, if any;

2 (4) the name and address of the agent of the
3 corporation or limited liability company designated under Section
4 171.354; and

5 (5) the address of the corporation's or limited
6 liability company's principal office and principal place of
7 business.

8 (b) The corporation or limited liability company shall file
9 the report once a year on a form prescribed by the comptroller.

10 (d) The corporation or limited liability company shall send
11 a copy of the report to each person named in the report under
12 Subsection (a)(3) who is not currently employed by the corporation
13 or limited liability company or a related corporation or limited
14 liability company listed in Subsection (a)(1) or (2). An officer or
15 director of the corporation or limited liability company or another
16 authorized person must sign the report under a certification that:

17 (1) all information contained in the report is true
18 and correct to the best of the person's knowledge; and

19 (2) a copy of the report has been mailed to each person
20 identified in this subsection on the date the return is filed.

21 (e) If a person's name is included in a report under
22 Subsection (a)(3) and the person is not an officer or director of
23 the corporation or limited liability company on the date the report
24 is filed, the person may file with the comptroller a sworn statement
25 disclaiming the person's status as shown on the report. The
26 comptroller shall maintain a record of statements filed under this
27 subsection and shall make that information available on request

1 using the same procedures the comptroller uses for other requests
2 for public information.

3 SECTION 21. Section 171.204, Tax Code, is amended by adding
4 Subsection (c) to read as follows:

5 (c) The comptroller may require any entity to file
6 information as necessary to verify that the entity is not subject to
7 the tax imposed under this chapter.

8 SECTION 22. Subchapter G, Chapter 171, Tax Code, is amended
9 by adding Section 171.3015 to read as follows:

10 Sec. 171.3015. FORFEITURE OF CERTIFICATE OR REGISTRATION OF
11 TAXABLE ENTITY. The comptroller may, for the same reasons and using
12 the same procedures the comptroller uses in relation to the
13 forfeiture of a corporation's charter or certificate of authority,
14 forfeit the certificate or registration of a taxable entity.

15 SECTION 23. Section 171.309, Tax Code, is amended to read as
16 follows:

17 Sec. 171.309. FORFEITURE BY SECRETARY OF STATE. The
18 secretary of state may forfeit the charter, ~~[or]~~ certificate, or
19 registration of a taxable entity ~~[of authority of a corporation]~~
20 if:

21 (1) the secretary receives the comptroller's
22 certification under Section 171.302 ~~[of this code]~~; and

23 (2) the taxable entity ~~[corporation]~~ does not revive
24 its forfeited ~~[corporate]~~ privileges within 120 days after the date
25 that the ~~[corporate]~~ privileges were forfeited~~[, and~~

26 ~~[(3) the corporation does not have assets from which a~~
27 ~~judgment for any tax, penalty, or court costs imposed by this~~

1 ~~chapter may be satisfied].~~

2 SECTION 24. Section 17, Chapter 1, Acts of the 79th
3 Legislature, 3rd Called Session, 2006, is amended to read as
4 follows:

5 Sec. 17. ~~[(a) The repeal of Section 171.111, Tax Code, by
6 this Act does not affect a credit that accrued under that section
7 before the effective date of this Act.~~

8 ~~[(b)]~~ A corporation that has any unused credits established
9 ~~[accrued]~~ before the effective date of this Act under Section
10 171.111, Tax Code, may claim those unused credits on or with the tax
11 report for the period in which the credits were established
12 ~~[accrued]~~, and the former law under which the corporation
13 established ~~[accrued]~~ the credits is continued in effect for
14 purposes of determining the amount of the credits the corporation
15 may claim and the manner in which the corporation may claim the
16 credits.

17 SECTION 25. Sections 18(b) through (f), Chapter 1, Acts of
18 the 79th Legislature, 3rd Called Session, 2006, are amended to read
19 as follows:

20 (b) This section does not affect a credit authorized by a
21 provision listed in Subsection (a) of this section that was
22 established ~~[accrued]~~ under Chapter 171, Tax Code, before the
23 effective date of this Act or a credit that continues to accrue
24 under Section 19 of this Act.

25 (c) A corporation that has any unused credits established
26 ~~[accrued]~~ before the effective date of this Act under a provision
27 other than Subchapter O, P, or Q, Chapter 171, Tax Code, may claim

1 those unused credits on or with the tax report for the period in
2 which the credits were established [~~accrued~~], and the former law
3 under which the corporation established [~~accrued~~] the credits is
4 continued in effect for purposes of determining the amount of the
5 credits the corporation may claim and the manner in which the
6 corporation may claim the credits.

7 (d) A corporation that has any unused credits established
8 [~~accrued~~] before the effective date of this Act under Subchapter O,
9 Chapter 171, Tax Code, may claim those unused credits on or with the
10 tax report for the period in which the credit was established
11 [~~accrued~~]. However, if the corporation was allowed to carry
12 forward unused credits under that subchapter, the corporation may
13 continue to apply those credits on or with each consecutive report
14 until the earlier of the date the credit would have expired under
15 the terms of Subchapter O, Chapter 171, Tax Code, had it continued
16 in existence, or December 31, 2027, and the former law under which
17 the corporation established [~~accrued~~] the credits is continued in
18 effect for purposes of determining the amount of the credits the
19 corporation may claim and the manner in which the corporation may
20 claim the credits.

21 (e) A corporation that has any unused credits established
22 [~~accrued~~] before the effective date of this Act under Subchapter P,
23 Chapter 171, Tax Code, may claim those unused credits on or with the
24 tax report for the period in which the credit was established
25 [~~accrued~~]. However, if the corporation was allowed to carry
26 forward unused credits under that subchapter, the corporation may
27 continue to apply those credits on or with each consecutive report

1 until the earlier of the date the credit would have expired under
2 the terms of Subchapter P, Chapter 171, Tax Code, had it continued
3 in existence, or December 31, 2012, and the former law under which
4 the corporation established [~~accrued~~] the credits is continued in
5 effect for purposes of determining the amount of the credits the
6 corporation may claim and the manner in which the corporation may
7 claim the credits.

8 (f) A corporation that has any unused credits established
9 [~~accrued~~] before the effective date of this Act under Subchapter Q,
10 Chapter 171, Tax Code, may claim those unused credits on or with the
11 tax report for the period in which the credit was established
12 [~~accrued~~]. However, if the corporation was allowed to carry
13 forward unused credits under that subchapter, the corporation may
14 continue to apply those credits on or with each consecutive report
15 until the earlier of the date the credit would have expired under
16 the terms of Subchapter Q, Chapter 171, Tax Code, had it continued
17 in existence, or December 31, 2012, and the former law under which
18 the corporation established [~~accrued~~] the credits is continued in
19 effect for purposes of determining the amount of the credits the
20 corporation may claim and the manner in which the corporation may
21 claim the credits.

22 SECTION 26. (a) Section 22, Chapter 1, Acts of the 79th
23 Legislature, 3rd Called Session, 2006, is amended by amending
24 Subsection (b) and adding Subsections (b-1), (b-2), and (g) to read
25 as follows:

26 (b) For an entity becoming subject to the franchise tax
27 under this Act:

1 (1) margin or gross receipts occurring before June 1,
2 2006, may not be considered for purposes of determining taxable
3 margin or for apportionment purposes; and

4 (2) an entity subject to the franchise tax on January
5 1, 2008, that was not previously subject to the tax and for which
6 January 1, 2008, is not the beginning date, shall file an annual
7 report due May 15, 2008, based on the period:

8 (A) if the entity has an accounting period that
9 ends on or after January 1, 2007, and before June 1, 2007:

10 (i) beginning on the later of:

11 (a) June 1, 2006; or

12 (b) the date the entity was organized
13 in this state or, if a foreign entity, the date it began doing
14 business in this state; and

15 (ii) ending on the date that accounting
16 period ends in 2007;

17 (B) if the entity has an accounting period that
18 ends on or after June 1, 2007, and before December 31, 2007:

19 (i) beginning on the date that accounting
20 period begins; and

21 (ii) ending on the date that accounting
22 period ends in 2007; and

23 (C) if the entity has an accounting period that
24 ends on December 31, 2007, or if the entity does not have an
25 accounting period that ends in 2007:

26 (i) beginning on the later of:

27 (a) January 1, 2007; or

1 (b) the date the entity was organized
2 in the state or, if a foreign entity, the date it began doing
3 business in this state; and

4 (ii) ending on December 31, 2007 ~~and~~

5 ~~[(3) an entity subject to the franchise tax as it~~
6 ~~existed before the effective date of this Act at any time after~~
7 ~~December 31, 2006, and before January 1, 2008, but not subject to~~
8 ~~the franchise tax on January 1, 2008, shall file a final report for~~
9 ~~the privilege of doing business at any time after June 30, 2007, and~~
10 ~~before January 1, 2008, based on the period:~~

11 ~~[(A) beginning on the later of:~~

12 ~~[(i) January 1, 2007; or~~

13 ~~[(ii) the date the entity was organized in~~
14 ~~this state or, if a foreign entity, the date it began doing business~~
15 ~~in this state; and~~

16 ~~[(B) ending on the date the entity became no~~
17 ~~longer subject to the franchise tax].~~

18 (b-1) This subsection applies to an entity that:

19 (1) is not doing business in this state on January 1,
20 2008;

21 (2) would be subject to the franchise tax as amended by
22 this Act if it were doing business in this state on or after January
23 1, 2008, but would not have been subject to the franchise tax as it
24 existed before being amended by this Act; and

25 (3) was doing business in this state at any time after
26 June 30, 2007, and before January 1, 2008.

27 (b-2) An entity to which Subsection (b-1) applies shall, for

1 the privilege of doing business in this state at any time after June
2 30, 2007, and before January 1, 2008, file a final report and pay an
3 additional tax equal to the appropriate rate under Section 171.002,
4 Tax Code, as amended by this Act, of the entity's taxable margin
5 based on the period:

6 (1) beginning on the later of:

7 (A) January 1, 2007; or

8 (B) the date the entity was organized in this
9 state or, if a foreign entity, the date it began doing business in
10 this state; and

11 (2) ending on the date the entity became no longer
12 subject to the tax.

13 (g) Except as provided by Subsection (b)(1) of this section,
14 an entity becoming subject to the franchise tax under this Act that
15 is part of a combined group report shall, for purposes of
16 determining margin and apportionment, include its activity for the
17 same period used by the combined group.

18 (b) This section takes effect immediately if this Act
19 receives a vote of two-thirds of all the members elected to each
20 house, as provided by Section 39, Article III, Texas Constitution.
21 If this Act does not receive the vote necessary for immediate
22 effect, this section takes effect September 1, 2007.

23 SECTION 27. Sections 23(b) and (f), Chapter 1, Acts of the
24 79th Legislature, 3rd Called Session, 2006, are amended to read as
25 follows:

26 (b) The information report required under this section must
27 contain the same information that an entity required to file the

1 report would have submitted in its report due to the comptroller in
2 2006 under Chapter 171, Tax Code, if the changes made by this Act to
3 Chapter 171, Tax Code, had been in effect January 1, 2006. The
4 information report shall also contain the total of maintenance and
5 operations school property taxes paid by the entity to school
6 districts in Texas in the 2005 [~~2006, and 2007~~] tax year [~~years~~].
7 The comptroller shall provide the forms and instructions to the
8 entities required to file a report under this section.

9 (f) The comptroller:

10 (1) shall identify the entities described by
11 Subsection (d) of this section;

12 (2) shall prepare all forms and instructions required
13 for those entities to file their information reports as required by
14 this section;

15 (3) shall provide those forms and instructions to
16 those entities on or after November 15, 2006, but before December 2,
17 2006;

18 (4) shall require the entities to submit their
19 information reports on or before February 15, 2007 [~~and February~~
20 ~~15, 2008~~];

21 (5) may not grant any extensions for filing the
22 information reports; and

23 (6) shall report to the governor, the lieutenant
24 governor, and the members of the legislature, on or before April 1,
25 2007, [~~and April 1, 2008,~~] the results of the information reports,
26 stating the amount of revenue generated by the tax under Chapter
27 171, Tax Code, [~~in each year,~~] the amount that would have been

1 generated from the entities submitting information reports under
2 this section if the changes made by this Act to Chapter 171, Tax
3 Code, had been in effect January 1, 2006, and the school maintenance
4 and operations property taxes paid by the entities in the 2005 [~~7~~
5 ~~2006, and 2007~~] tax year [~~years~~].

6 SECTION 28. The following provisions of the Tax Code are
7 repealed:

8 (1) Section 171.0003(a-1), as effective January 1,
9 2008; and

10 (2) Section 171.0011(e), as effective January 1, 2008.

11 SECTION 29. This Act applies only to a report originally due
12 on or after the effective date of this Act.

13 SECTION 30. Except as otherwise provided by this Act, this
14 Act takes effect January 1, 2008.