

By: McCall

H.B. No. 1996

A BILL TO BE ENTITLED

1 AN ACT
2 relating to exempting the sale of certain property used for
3 research and development from the sales tax.

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

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

7 Sec. 151.3182. EQUIPMENT USED IN RESEARCH OR DEVELOPMENT.

8 (a) In this section:

9 (1) "Manufacturing" has the meaning assigned that term
10 by Section 151.318.

11 (2) "Telecommunications services" has the meaning
12 assigned that term by Section 151.0103.

13 (b) Except as provided by Subsection (d), the sale, use, or
14 other consumption of tangible personal property is exempted from
15 the taxes imposed by this chapter and a taxpayer may claim a credit
16 or refund under Subsection (e) if the tangible personal property is
17 used directly in the research or development of inventions,
18 products, processes, or technology by a person that is primarily
19 engaged in:

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

22 (2) the provision of telecommunications services; or

23 (3) the performance of scientific or technical
24 services for a person primarily engaged in an activity described by

1 Subdivision (1) or (2).

2 (c) This section applies to tangible personal property used
3 or consumed in research or development by persons primarily engaged
4 in manufacturing or the provision of telecommunications services
5 regardless of whether the tangible personal property:

6 (1) is used or consumed in the actual manufacturing,
7 processing, or fabrication of tangible personal property for
8 ultimate sale; or

9 (2) is directly used in the provision of
10 telecommunications services.

11 (d) This section does not apply to:

12 (1) office equipment or supplies; or

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

15 (e) A taxpayer who pays tax on tangible personal property
16 exempted under this section is entitled to either a credit of the
17 amount paid against taxes owed under this chapter or a refund of the
18 amount paid. A taxpayer who elects a credit must claim the credit
19 on the return for a period that ends not later than the first
20 anniversary of the date on which the tax on the item was paid. A
21 taxpayer who elects a refund must apply to the comptroller for the
22 refund before or during the calendar year following the year in
23 which the tax on the item was paid.

24 SECTION 2. The changes in law made by this Act do not affect
25 tax liability accruing before the effective date of this Act. That
26 liability continues in effect as if this Act had not been enacted,
27 and the former law is continued in effect for the collection of

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1 taxes due and for civil and criminal enforcement of the liability
2 for those taxes.

3 SECTION 3. This Act takes effect October 1, 2009.