

By: Phillips

H.B. No. 3277

A BILL TO BE ENTITLED

AN ACT

relating to the imposition of the franchise tax on certain combined groups.

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

SECTION 1. Sections 171.0001(1) and (7), Tax Code, are amended to read as follows:

(1) "Affiliated group" means:

(A) a group of one or more entities in which a controlling interest is owned by a common owner or owners, either corporate or noncorporate, or by one or more of the member entities;

or

(B) a group that is composed of one or more entities in which an equal interest is owned by all owners, corporate or noncorporate, or by all member entities, but only if none of the owners or member entities have more than 50 employees.

(7) "Combined group" means taxable entities that are part of an affiliated group engaged in a unitary business and that are required or permitted to file a group report under Section 171.1014.

SECTION 2. Section 171.1014, Tax Code, is amended by amending Subsection (a) and adding Subsections (a-1) and (a-2) to read as follows:

(a) Except as provided by Subsection (a-1), taxable ~~taxable~~ entities that are part of an affiliated group engaged in a

1 unitary business shall file a combined group report in lieu of
2 individual reports based on the combined group's business.

3 (a-1) Taxable entities that are part of an affiliated group
4 described by Section 171.0001(1)(B) that is engaged in a unitary
5 business may elect to file a combined report in lieu of individual
6 reports based on the combined group's business.

7 (a-2) A [~~The~~] combined group may not include a taxable
8 entity that conducts business outside the United States if 80
9 percent or more of the taxable entity's property and payroll, as
10 determined by factoring under Chapter 141, are assigned to
11 locations outside the United States. In applying Chapter 141, if
12 either the property factor or the payroll factor is zero, the
13 denominator is one. The combined group may not include a taxable
14 entity that conducts business outside the United States and has no
15 property or payroll if 80 percent or more of the taxable entity's
16 gross receipts, as determined under Sections 171.103, 171.105, and
17 171.1055, are assigned to locations outside the United States.

18 SECTION 3. This Act applies only to a report originally due
19 on or after the effective date of this Act.

20 SECTION 4. This Act takes effect January 1, 2010.