

By: Howard of Fort Bend

H.B. No. 4268

A BILL TO BE ENTITLED

1 AN ACT

2 relating to the determination of cost of goods sold for purposes of  
3 computing the franchise tax.

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

5 SECTION 1. Section 171.1012, Tax Code, is amended by adding  
6 Subsection (q) to read as follows:

7 (q) Subject to Section 171.1014, a taxable entity that  
8 elects to subtract cost of goods sold for the purpose of computing  
9 its taxable margin may, instead of determining its cost of goods  
10 sold in accordance with the other provisions of this section, elect  
11 to determine cost of goods sold as follows:

12 (1) for a taxable entity treated for federal income  
13 tax purposes as a corporation, the cost of goods sold is the amount  
14 reportable as cost of goods sold on line 2, Internal Revenue Service  
15 Form 1120;

16 (2) for a taxable entity treated for federal income  
17 tax purposes as a partnership, the cost of goods sold is the amount  
18 reportable as cost of goods sold on line 2, Internal Revenue Service  
19 Form 1065;

20 (3) for a taxable entity treated for federal income  
21 tax purposes as an S corporation, the cost of goods sold is the  
22 amount reportable as cost of goods sold on line 2, Internal Revenue  
23 Service Form 1120S; or

24 (4) for any other taxable entity, the cost of goods

1 sold is an amount determined in a manner substantially equivalent  
2 to the amount for Subdivision (1), (2), or (3) determined by rules  
3 the comptroller shall adopt.

4 SECTION 2. This Act applies only to a report originally due  
5 on or after the effective date of this Act.

6 SECTION 3. This Act takes effect January 1, 2010.