

By: Howard of Fort Bend, Paxton

H.B. No. 4270

A BILL TO BE ENTITLED

AN ACT

relating to the computation of cost of goods sold for purposes of the franchise tax by certain affiliated taxable entities.

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

SECTION 1. Section 171.1012(1), Tax Code, is amended to read as follows:

(1) Notwithstanding any other provision of this section, a payment made by one member of an affiliated group to another member of that affiliated group not included in the combined group may be subtracted as a cost of goods sold ~~[only]~~ if it is a transaction made at arm's length. If the related-party transaction is not made at arm's length:

(1) the purchasing member may subtract as a cost of goods sold an amount not to exceed the market value of the transaction; and

(2) the selling member may include in the selling member's gross receipts for purposes of Sections 171.103, 171.105, 171.1055, and 171.106 an amount not to exceed the market value of the transaction.

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

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