

By: Howard of Fort Bend

H.B. No. 891

A BILL TO BE ENTITLED

1 AN ACT

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

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

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

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

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

16 (2) the selling member may include in the selling
17 member's gross receipts for purposes of Sections 171.103, 171.105,
18 171.1055, and 171.106 an amount not to exceed the market value of
19 the transaction.

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

22 SECTION 3. This Act takes effect January 1, 2012.