

Amend CSHB 500 (house committee printing) as follows:

(1) On page 7, line 10, strike "Subsection (q)" and substitute "Subsections (q), (r), and (s)".

(2) On page 8, between lines 1 and 2, insert the following:

(r) A taxable entity that has total revenue from its entire business of less than \$5 million and that elects to subtract cost of goods sold for the purpose of computing its taxable margin may elect to determine the amount of that cost of goods sold in accordance with this subsection. A taxable entity making the election authorized by this subsection is not subject to the provisions of this section relating to the computation of the amount of cost of goods sold other than this subsection and Subsection (s). The taxable entity shall determine the amount of cost of goods sold as follows:

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

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

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

(4) for any other taxable entity, the cost of goods sold is an amount determined in a manner substantially equivalent to the amount for Subdivision (1), (2), or (3) determined by rules the comptroller shall adopt.

(s) A combined group that has total revenue from its entire business of less than \$5 million and that elects to subtract cost of goods sold for the purpose of computing its taxable margin shall make the election to compute the amount of that cost of goods sold under Subsection (r), or to compute that amount under the other provisions of this section, for all of its members.

(3) On page 8, line 2, strike "Section 171.1014(d), Tax

Code, is" and substitute "Sections 171.1014(d) and (d-1), Tax Code, are".

(4) On page 8, between lines 9 and 10, insert the following:

(d-1) A member of a combined group that does not elect to compute the amount of cost of goods sold as provided by Section 171.1012(r), if applicable, may claim as cost of goods sold those costs that qualify under Section 171.1012 if the goods for which the costs are incurred are owned by another member of the combined group.