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HOUSE OF REPRESENTATIVES

FLOOR AMENDMENT NO. _____

BY:

Van Taylor

1 Amend C.S.H.B. No. 500 (house committee printing) as follows:

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

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

5 (r) A taxable entity that has total revenue from its entire
6 business of less than \$10 million and that elects to subtract cost
7 of goods sold for the purpose of computing its taxable margin may
8 elect to determine the amount of that cost of goods sold in
9 accordance with this subsection. A taxable entity making the
10 election authorized by this subsection is not subject to the
11 provisions of this section relating to the computation of the
12 amount of cost of goods sold other than this subsection and
13 Subsection (s). The taxable entity shall determine the amount of
14 cost of goods sold as follows:

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

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

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

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

1 the comptroller shall adopt.

2 (s) A combined group that has total revenue from its entire
3 business of less than \$10 million and that elects to subtract cost
4 of goods sold for the purpose of computing its taxable margin shall
5 make the election to compute the amount of that cost of goods sold
6 under Subsection (r), or to compute that amount under the other
7 provisions of this section, for all of its members.

8 (3) On page 8, line 2, strike "Section 171.1014(d), Tax
9 Code, is" and substitute "Sections 171.1014(d) and (d-1), Tax Code,
10 are".

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

12 (d-1) A member of a combined group that does not elect to
13 compute the amount of cost of goods sold as provided by Section
14 171.1012(r), if applicable, may claim as cost of goods sold those
15 costs that qualify under Section 171.1012 if the goods for which the
16 costs are incurred are owned by another member of the combined
17 group.