

## BILL ANALYSIS

C.S.H.B. 510  
By: Murphy  
Ways & Means  
Committee Report (Substituted)

### BACKGROUND AND PURPOSE

In calculating the franchise tax, commonly referred to as the margins tax, most industries are taxed at a rate of one percent of taxable margin. Retailers are taxed at a lower rate of 0.5 percent of taxable margin, in recognition of the unique circumstances involved in running their businesses. There is concern that current law makes an unfair distinction between retail companies that sell goods and retail companies that rent personal property by allowing companies that sell goods to be taxed at the lower rate while companies deriving a majority of their revenue from rentals of personal property are taxed at the higher rate. C.S.H.B. 510 seeks to address this concern by treating retailers that rent personal property similarly under the law to those that sell goods.

### RULEMAKING AUTHORITY

It is the committee's opinion that this bill does not expressly grant any additional rulemaking authority to a state officer, department, agency, or institution.

### ANALYSIS

C.S.H.B. 510 amends the Tax Code to expand the meaning of "retail trade," for franchise tax purposes, to include activities involving the rental or leasing of tools, party and event supplies, and furniture that are classified as Industry 7359, and heavy construction equipment rental or leasing activities classified as Industry 7353, of the 1987 Standard Industrial Classification Manual published by the federal Office of Management and Budget.

### EFFECTIVE DATE

January 1, 2014.

### COMPARISON OF ORIGINAL AND SUBSTITUTE

While C.S.H.B. 510 may differ from the original in minor or nonsubstantive ways, the following comparison is organized and highlighted in a manner that indicates the substantial differences between the introduced and committee substitute versions of the bill.

#### INTRODUCED

SECTION 1. Section 171.002, Tax Code, is amended by adding Subsection (c-2) to read as follows:

(c-2) Subsection (c)(2) does not apply to total revenue from activities in a trade that rents or leases tangible personal property as described by Industry Group 735 of the

#### HOUSE COMMITTEE SUBSTITUTE

**No equivalent provision.**

Standard Industrial Classification Manual published by the United States Department of Labor.

No equivalent provision.

SECTION 1. Section 171.0001(12), Tax Code, is amended to read as follows:

(12) "Retail trade" means:

(A) the activities described in Division G of the 1987 Standard Industrial Classification Manual published by the federal Office of Management and Budget; ~~and~~

(B) apparel rental activities classified as Industry 5999 or 7299 of the 1987 Standard Industrial Classification Manual published by the federal Office of Management and Budget;

(C) activities involving the rental or leasing of tools, party and event supplies, and furniture that are classified as Industry 7359 of the 1987 Standard Industrial Classification Manual published by the federal Office of Management and Budget; or

(D) heavy construction equipment rental or leasing activities classified as Industry 7353 of the 1987 Standard Industrial Classification Manual published by the federal Office of Management and Budget.

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

SECTION 2. Same as introduced version.

SECTION 3. This Act takes effect January 1, 2014.

SECTION 3. Same as introduced version.