

BILL ANALYSIS

H.B. 1289
By: Hilderbran
Ways & Means
Committee Report (Unamended)

BACKGROUND AND PURPOSE

Interested parties note that, under current law, marine transportation operators that deliver certain commodities are unable to deduct the cost of transporting those goods from their taxable margin for purposes of calculating franchise tax liability, while other entities that transport their own commodities, rather than contract with transportation operators, may deduct the cost of transportation using the cost of goods sold deduction. As a result, capital intensive marine operators are not entitled to the same deductions to which other similarly situated capital intensive companies are entitled, with the competitive advantage favoring manufacturers that own their own modes of transportation.

H.B. 1289 seeks to level the playing field for marine transportation operators that deliver commodities vital to Texas' economy and participation in the world marketplace by providing for an exclusion of certain transportation services costs in determining total revenue for purposes of the franchise tax.

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

H.B. 1289 amends the Tax Code to require a taxable entity primarily engaged in the business of transporting commodities by waterways that does not subtract cost of goods sold in computing its taxable margin for purposes of the franchise tax to exclude from its total revenue direct costs of providing inbound and outbound transportation services by intrastate or interstate waterways to the same extent that a taxable entity that sells in the ordinary course of business real or tangible personal property would be authorized to subtract those costs as costs of goods sold in computing its taxable margin.

EFFECTIVE DATE

January 1, 2014.