

## **BILL ANALYSIS**

H.B. 1596  
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Ways & Means  
Committee Report (Unamended)

### **BACKGROUND AND PURPOSE**

Current law allows a business to deduct certain expenses from its total revenue for purposes of calculating franchise tax liability. Many companies engaged in the business of transporting barite hire independent trucking subcontractors to haul and deliver barite to oil and gas field service companies, and it is reported that approximately three-quarters of the companies' revenue is paid in subcontracting payments to such subcontractors. Interested parties contend that the comptroller of public accounts has interpreted statute to allow only companies who are primarily engaged in the business of transporting barite and own the trucks used to conduct business to deduct the full cost of expenses related to transporting goods and services from their total revenue, while companies that engage in the same activity but do not own the trucks used to conduct business are not allowed to deduct those same expenses. H.B. 1596 seeks to clarify the expenses that may be deducted by a company involved in the transportation of barite.

### **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. 1596 amends the Tax Code to require a taxable entity that is primarily engaged in the business of transporting barite to exclude from its total revenue, for purposes of computing the taxable margin for the franchise tax, subcontracting payments made by the taxable entity to nonemployee agents for the performance of transportation services on behalf of the taxable entity.

### **EFFECTIVE DATE**

January 1, 2014.