

By: Hilderbran

H.B. No. 1289

A BILL TO BE ENTITLED

AN ACT

relating to the exclusion of certain service costs in determining a taxable entity's taxable margin for purposes of the franchise tax.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF TEXAS:

SECTION 1. Section 171.1011, Tax Code, is amended by adding Subsection (v) to read as follows:

(v) 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 shall 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 by Section 171.1012 to subtract those costs as costs of goods sold in computing its taxable margin.

SECTION 2. Section 171.1012, Tax Code, is amended by adding Subsections (k-2) and (k-3) to read as follows:

(k-2) This subsection applies only to a pipeline entity: (1) that owns or leases and operates the pipeline by which the product is transported for others and only to that portion of the product to which the entity does not own title; and (2) that is primarily engaged in gathering, storing, transporting, or processing crude oil, including finished petroleum products, natural gas, condensate, and natural gas liquids, except for a refinery

1 installation that manufactures finished petroleum products from
2 crude oil. Notwithstanding Subsection (e)(3) or (i), a pipeline
3 entity providing services for others related to the product that
4 the pipeline does not own and to which this subsection applies may
5 subtract as a cost of goods sold its depreciation, operations, and
6 maintenance costs allowed by this section related to the services
7 provided.

8 (k-3) For purposes of Subsection (k-2), "processing" means
9 the physical or mechanical removal, separation, or treatment of
10 crude oil, including finished petroleum products, natural gas,
11 condensate, and natural gas liquids after those materials are
12 produced from the earth. The term does not include the chemical or
13 biological transformation of those materials.

14 SECTION 3. This Act applies only to a report originally due
15 on or after the effective date of this Act.

16 SECTION 4. This Act takes effect January 1, 2014.