

By: Hilderbran

H.B. No. 1735

A BILL TO BE ENTITLED

AN ACT

relating to the franchise tax of certain nonqualified affiliates.

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

SECTION 1. (a) Section 171.1014, Tax Code, is amended by adding Subsection (j) to read as follows:

(j)(1) Notwithstanding any other provision of this chapter, a nonqualified affiliate that would, except as otherwise provided by this Subsection (j)(1), be included in a combined group with a qualified affiliate may not be included in such combined group if:

(A) greater than 50 percent of the threshold amount is from activities in retail or wholesale trade;

(B) less than 50 percent of the threshold amount is from the sale of products produced by any entity that is included in an affiliated group with such qualified affiliate; and

(C) less than 5 percent of the threshold amount is from providing retail or wholesale electric utilities.

(2) For purposes of this Section:

(A) a nonqualified affiliate is an individual taxable entity that provides retail or wholesale electric utilities;

(B) a qualified affiliate is an individual taxable entity that does not provide retail or wholesale electric utilities; and

1 (C) the threshold amount is the total revenue
2 that would be determined under Subsection (c), provided that
3 Subsection (j)(1) does not apply to the determination of total
4 revenue for purposes of this Subsection (j)(2)(C).

5 (b) This section applies only to a report originally due on
6 or after January 1, 2014.

7 SECTION 2. This Act takes effect September 1, 2013.