

By: Zedler

H.B. No. 1836

A BILL TO BE ENTITLED

1 AN ACT  
2 relating to the exclusion of certain flow-through funds by taxable  
3 entities in determining total revenue for purposes of the franchise  
4 tax.

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

6 SECTION 1. Section 171.0001(13-a), Tax Code, is amended to  
7 read as follows:

8 (13-a) "Security," for purposes of Sections  
9 [~~171.1011(g)~~], 171.1011(g-2)[~~7~~] and 171.106(f) only, has the  
10 meaning assigned by Section 475(c)(2), Internal Revenue Code, and  
11 includes instruments described by Sections 475(e)(2)(B), (C), and  
12 (D) of that code.

13 SECTION 2. Sections 171.1011(f), (h), and (i), Tax Code,  
14 are amended to read as follows:

15 (f) A taxable entity shall exclude from its total revenue,  
16 to the extent included under Subsection (c)(1)(A), (c)(2)(A), or  
17 (c)(3), flow-through funds that are mandated by law, contract, or  
18 fiduciary duty to be distributed to other entities, including taxes  
19 collected from a third party by the taxable entity and remitted by  
20 the taxable entity to a taxing authority.

21 (h) If the taxable entity belongs to an affiliated group,  
22 the taxable entity may not exclude payments described by Subsection  
23 (f), [~~(g)~~] (g-1), (g-2), (g-3), or (g-4) that are made to entities  
24 that are members of the affiliated group.

1           (i) A [~~Except as provided by Subsection (g), a~~] payment made  
2 under an ordinary contract for the provision of services in the  
3 regular course of business may not be excluded unless the payment  
4 constitutes flow-through funds that may be excluded under  
5 Subsection (f).

6           SECTION 3. Section 171.1011(g), Tax Code, is repealed.

7           SECTION 4. This Act applies only to a report originally due  
8 on or after the effective date of this Act.

9           SECTION 5. This Act takes effect January 1, 2014.