

By: Button, N. Gonzalez of El Paso

H.B. No. 1860

Substitute the following for H.B. No. 1860:

By: Hilderbran

C.S.H.B. No. 1860

A BILL TO BE ENTITLED

1 AN ACT

2 relating to a deduction under the franchise tax for certain
3 contracts with the federal government.

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

5 SECTION 1. Section 171.101(a), Tax Code, is amended to read
6 as follows:

7 (a) The taxable margin of a taxable entity is computed by:

8 (1) determining the taxable entity's margin, which is
9 the lesser of:

10 (A) 70 percent of the taxable entity's total
11 revenue from its entire business, as determined under Section
12 171.1011; or

13 (B) an amount computed by:

14 (i) determining the taxable entity's total
15 revenue from its entire business, under Section 171.1011;

16 (ii) subtracting, at the election of the
17 taxable entity, either:

18 (a) cost of goods sold, as determined
19 under Section 171.1012; or

20 (b) compensation, as determined under
21 Section 171.1013; ~~and~~

22 (iii) subtracting 50 percent of the costs
23 not already subtracted under Subparagraph (ii)(a) or (b) that are
24 properly allocable under the Federal Acquisition Regulation (48

1 C.F.R. Chapter 1, or a successor regulation), to contracts, or
2 subcontracts supporting those contracts, for the sale of goods or
3 services to the federal government; and

4 (iv) subtracting, in addition to any
5 subtractions made under Subparagraph (ii)(a) or (b), compensation,
6 as determined under Section 171.1013, paid to an individual during
7 the period the individual is serving on active duty as a member of
8 the armed forces of the United States if the individual is a
9 resident of this state at the time the individual is ordered to
10 active duty and the cost of training a replacement for the
11 individual;

12 (2) apportioning the taxable entity's margin to this
13 state as provided by Section 171.106 to determine the taxable
14 entity's apportioned margin; and

15 (3) subtracting from the amount computed under
16 Subdivision (2) any other allowable deductions to determine the
17 taxable entity's taxable margin.

18 SECTION 2. This Act applies only to a report originally due
19 on or after January 1, 2014.

20 SECTION 3. This Act takes effect January 1, 2014.