

BILL ANALYSIS

C.S.H.B. 2896
By: Parker
Ways & Means
Committee Report (Substituted)

BACKGROUND AND PURPOSE

Interested parties observe that current law governing the franchise tax does not adequately specify how to properly characterize fees paid by cable system operators to motion picture and television producers for video content provided by such producers. C.S.H.B. 2896 seeks to clarify the law relating to the franchise tax.

CRIMINAL JUSTICE IMPACT

It is the committee's opinion that this bill does not expressly create a criminal offense, increase the punishment for an existing criminal offense or category of offenses, or change the eligibility of a person for community supervision, parole, or mandatory supervision.

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

C.S.H.B. 2896 amends the Tax Code to require a taxable entity that is a broadcaster to include in the numerator of the broadcaster's apportionment factor, for purposes of determining the entity's taxable margin under the franchise tax, receipts arising from licensing income from broadcasting or otherwise distributing film programming by any means only if the legal domicile of the broadcaster's customer is in Texas. The bill defines "broadcaster" as a taxable entity, excluding a cable service provider or a direct broadcast satellite service, that is a television station licensed by the Federal Communications Commission, television broadcast network, cable television network, or television distribution company and defines "customer" as a person, including a licensee, that has a direct connection or contractual relationship with a broadcaster under which the broadcaster derives revenue.

EFFECTIVE DATE

January 1, 2016.

COMPARISON OF ORIGINAL AND SUBSTITUTE

While C.S.H.B. 2896 may differ from the original in minor or nonsubstantive ways, the following comparison is organized and formatted in a manner that indicates the substantial differences between the introduced and committee substitute versions of the bill.

INTRODUCED

SECTION 1. Section 171.106, Tax Code, is amended by adding Subsection (h) to read as follows:

HOUSE COMMITTEE SUBSTITUTE

SECTION 1. Section 171.106, Tax Code, is amended by adding Subsection (h) to read as follows:

84R 25919

15.114.1375

Substitute Document Number: 84R 20458

(h) A taxable entity that is a broadcaster shall include in the numerator of the broadcaster's apportionment factor receipts arising from licensing income from broadcasting or otherwise distributing film programming by any means only if the legal domicile of the broadcaster's customer is in this state. In this subsection:

(1) "Broadcaster" means a taxable entity, not including a cable service provider or a direct broadcast satellite service, that is a:

(A) television station licensed by the Federal Communications Commission;

(B) television broadcast network;

(C) cable television network; or

(D) television distribution company.

(2) "Customer" means a person, including a license holder, that has a direct connection or contractual relationship with a broadcaster under which the broadcaster derives revenue.

(3) "Film programming" means all or part of a live or recorded performance, event, or production intended to be distributed for visual and auditory perception by an audience.

(4) "Programming" includes news, entertainment, sporting events, plays, stories, or other literary, commercial, educational, or artistic works.

SECTION 2. This Act applies only to a report originally due on or after the effective date of this Act.

SECTION 3. This Act takes effect January 1, 2016.

(h) A taxable entity that is a broadcaster shall include in the numerator of the broadcaster's apportionment factor receipts arising from licensing income from broadcasting or otherwise distributing film programming by any means only if the legal domicile of the broadcaster's customer is in this state. In this subsection:

(1) "Broadcaster" means a taxable entity, not including a cable service provider or a direct broadcast satellite service, that is a:

(A) television station licensed by the Federal Communications Commission;

(B) television broadcast network;

(C) cable television network; or

(D) television distribution company.

(2) "Customer" means a person, including a licensee, that has a direct connection or contractual relationship with a broadcaster under which the broadcaster derives revenue.

(3) "Film programming" means all or part of a live or recorded performance, event, or production intended to be distributed for visual and auditory perception by an audience.

(4) "Programming" includes news, entertainment, sporting events, plays, stories, or other literary, commercial, educational, or artistic works.

SECTION 2. Same as introduced version.

SECTION 3. Same as introduced version.