

BILL ANALYSIS

C.S.H.B. 423
By: Wray
Ways & Means
Committee Report (Substituted)

BACKGROUND AND PURPOSE

Interested parties note that the nature of the ready-mixed concrete manufacturing process necessitates the use of specialized concrete mixer trucks from the beginning of the process to delivery of the concrete and contend that these trucks should be factored into the calculation of cost of goods sold for franchise tax purposes. C.S.H.B. 423 seeks to incorporate the related costs into that calculation for a taxable entity that transports ready-mixed concrete.

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

H.B. 423 amends the Tax Code to authorize a taxable entity that transports ready-mixed concrete to subtract as cost of goods sold distribution and rehandling costs when calculating the entity's taxable margin for franchise tax purposes, regardless of whether the entity owns the concrete.

EFFECTIVE DATE

January 1, 2020.

COMPARISON OF ORIGINAL AND SUBSTITUTE

While C.S.H.B. 423 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 171.1012, Tax Code, is amended by adding Subsection (r) to read as follows:

(r) Notwithstanding Subsection (e)(3) or (6) or any other provision of this section, a taxable entity that transports ready-mixed concrete may subtract as cost of goods sold

HOUSE COMMITTEE SUBSTITUTE

SECTION 1. Section 171.1012, Tax Code, is amended by adding Subsection (r) to read as follows:

(r) Notwithstanding Subsection (e)(3) or (6), a taxable entity that transports ready-mixed concrete may subtract as cost of goods sold distribution and rehandling costs

distribution costs regardless of whether the taxable entity owns the ready-mixed concrete.

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, 2018.

regardless of whether the taxable entity owns the ready-mixed concrete.

SECTION 2. Same as introduced version.

SECTION 3. This Act takes effect January 1, 2020.