86R2088 BEF-D

By:  Taylor S.B. No. 1081

A BILL TO BE ENTITLED

AN ACT

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

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

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

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

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

(A)  the amount provided by this paragraph, which is the lesser of:

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

(ii)  an amount equal to the taxable entity's total revenue from its entire business as determined under Section 171.1011 minus $1 million; or

(B)  an amount computed by determining the taxable entity's total revenue from its entire business under Section 171.1011 and subtracting the greater of:

(i)  $1 million; or

(ii)  an amount equal to the sum of:

(a)  at the election of the taxable entity, either:

(1)  cost of goods sold, as determined under Section 171.1012; or

(2)  compensation, as determined under Section 171.1013; [~~and~~]

(b)  any compensation, as determined under Section 171.1013, paid to an individual during the period the individual is serving on active duty as a member of the armed forces of the United States if the individual is a resident of this state at the time the individual is ordered to active duty and the cost of training a replacement for the individual; and

(c)  any costs not already subtracted under Sub-subparagraph (a) that are properly allowable under the Federal Acquisition Regulation (48 C.F.R. Chapter 1), or a successor regulation, for contracts, or subcontracts supporting those contracts, for the sale of goods or services to the federal government by a taxable entity that is a party to at least one contract subject to the requirements of 48 C.F.R. Chapter 2;

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

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

SECTION 2.  This Act applies only to a report originally due on or after January 1, 2020.

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