

By: Taylor

S.B. No. 1081

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

12 (i) 70 percent of the taxable entity's total
13 revenue from its entire business, as determined under Section
14 171.1011; or

15 (ii) an amount equal to the taxable entity's
16 total revenue from its entire business as determined under Section
17 171.1011 minus \$1 million; or

18 (B) an amount computed by determining the taxable
19 entity's total revenue from its entire business under Section
20 171.1011 and subtracting the greater of:

21 (i) \$1 million; or

22 (ii) an amount equal to the sum of:

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

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

3 (2) compensation, as determined
4 under Section 171.1013; ~~and~~

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

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

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

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

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

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