

BILL ANALYSIS

Senate Research Center

H.B. 1195
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Finance
4/6/2021
Engrossed

AUTHOR'S / SPONSOR'S STATEMENT OF INTENT

In response to the COVID-19 pandemic, Congress offered certain forgivable loans and grants and clarified that these loans and grants are not considered income for federal tax purposes. Accordingly, an update to Texas franchise tax law is needed to ensure these businesses are not required to pay state franchise taxes on certain forgivable loans and grants.

H.B. 1195 defines qualifying loans or grants and excludes those qualifying loan or grant proceeds from a taxable entity's total revenue relating to its franchise taxes. The bill also allows a taxable entity to include expenses paid using qualifying loan or grant proceeds in the entity's determination of cost of goods sold or determination of compensation if that expense was otherwise includable.

H.B. 1195 amends current law relating to the franchise tax treatment of certain loans and grants made under the federal Coronavirus Aid, Relief, and Economic Security Act.

RULEMAKING AUTHORITY

This bill does not expressly grant any additional rulemaking authority to a state officer, institution, or agency.

SECTION BY SECTION ANALYSIS

SECTION 1. Amends Subchapter C, Chapter 171, Tax Code, by adding Section 171.10131, as follows:

Sec. 171.10131. PROVISIONS RELATED TO CERTAIN MONEY RECEIVED FOR COVID-19 RELIEF. (a) Defines "qualifying loan or grant proceeds" to mean the amount of money that:

(1) is received by a taxable entity in loans or grants:

(A) under the Coronavirus Aid, Relief, and Economic Security Act (15 U.S.C. Section 9001 et seq.), as amended by the Paycheck Protection Program Flexibility Act of 2020 (Pub. L. No. 116-142) and the Consolidated Appropriations Act, 2021 (Pub. L. No. 116-260); or

(B) from the restaurant revitalization fund established under Section 5003 of the American Rescue Plan Act of 2021 (Pub. L. No. 117-2); and

(2) is not included in the taxable entity's gross income for purposes of federal income taxation under:

(A) Sections 276 and 278 of the Consolidated Appropriations Act, 2021 (Pub. L. No. 116-260); or

(B) Section 9673 of the American Rescue Plan Act of 2021 (Pub. L. No. 117-2).

(b) Provides that, notwithstanding any other law, a taxable entity:

(1) is required to exclude from its total revenue, to the extent included under certain sections, qualifying loan or grant proceeds;

(2) is authorized to include as a cost of goods sold under Section 171.1012 (Determination of Cost of Goods Sold) any expense paid using qualifying loan or grant proceeds to the extent the expense is otherwise includable as a cost of goods sold under that section; and

(3) is authorized to include as compensation under Section 171.1013 (Determination of Compensation) any expense paid using qualifying loan or grant proceeds to the extent the expense is otherwise includable as compensation under that section.

SECTION 2. Provides that this Act applies only to a report originally due on or after January 1, 2021.

SECTION 3. Effective date: upon passage or September 1, 2021.