

By: Leman

H.B. No. 3380

A BILL TO BE ENTITLED

AN ACT

relating to the franchise tax credit for certain research and development activities.

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

SECTION 1. Section 171.651, Tax Code, is amended by adding Subdivision (1-a) and amending Subdivision (4) to read as follows:

(1-a) "Production costs" include the cost of:

(A) materials;

(B) labor;

(C) supplies;

(D) pilot models; and

(E) products manufactured or produced.

(4) "Qualified research expense" has the meaning assigned by Section 41, Internal Revenue Code, except that the expense must be for research conducted in this state. The term includes an expense described by Section 171.6515.

SECTION 2. Subchapter M, Chapter 171, Tax Code, is amended by adding Section 171.6515 to read as follows:

Sec. 171.6515. QUALIFIED RESEARCH EXPENSES RELATING TO RESEARCH INVOLVING PRODUCTION PROCESS. A taxable entity that conducts qualified research for which the business component is a production process may treat as a qualified research expense production costs incurred while conducting that research, regardless of whether the costs:

1 (1) include a taxable item exempted from sales and use
2 taxes under Section 151.318; or

3 (2) would have been incurred in the process if the
4 qualified research were not conducted.

5 SECTION 3. This Act applies only to a report originally due
6 on or after the effective date of this Act.

7 SECTION 4. This Act takes effect January 1, 2022.