

BILL ANALYSIS

Senate Research Center
89R869 SRA-F

S.B. 263
By: Perry
Finance
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As Filed

AUTHOR'S / SPONSOR'S STATEMENT OF INTENT

S.B. 263 confirms that certain existing franchise tax provisions applicable to broadcasting apply not only to free, over-the-air, local television broadcasters licensed by the Federal Communications Commission (FCC), but also to similarly situated, free, over-the-air, local FCC licensed radio broadcasters.

This clarification of law is consistent with current Tax Code provisions applicable to broadcasting and "live and prerecorded television and radio programs," that FCC-licensed radio broadcasters may take cost of goods sold into consideration when calculating franchise tax liability. This clarification also helps ensure franchise tax consistency between radio and television broadcasters.

As proposed, S.B. 263 amends current law relating to the computation of the cost of goods sold by television and radio broadcasters for purposes of the franchise tax.

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 Section 171.1012(o), Tax Code, as follows:

(o) Requires that the cost of goods sold for a taxable entity, if the taxable entity, including a taxable entity with respect to which cost of goods sold is determined pursuant to Section 171.1014(e)(1) (relating to certain requirements regarding combined groups when determining the taxable margin of a taxable entity), whose principal business activity is film or television production, television or radio broadcasting, the distribution of tangible personal property described by Subsection (a)(3)(A)(ii) (relating to including films and certain other mass-distributed recordings in the definition of tangible personal property), or any combination of these activities, be the costs described in Section 171.1012 (Determination of Cost of Goods Sold) in relation to the property and include depreciation, amortization, and other expenses directly related to the acquisition, production, or use of the property, including expenses for the right to broadcast or use the property. Defines "television or radio broadcasting." Makes a nonsubstantive change.

SECTION 2. Provides that the amendment made by this Act is a clarification of existing law and does not imply that existing law is authorized to be construed as inconsistent with the law as amended by this Act.

SECTION 3. Effective date: upon passage or September 1, 2025.