

## BILL ANALYSIS

C.S.H.B. 4002  
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Ways & Means  
Committee Report (Substituted)

### BACKGROUND AND PURPOSE

Interested parties contend that the language used to calculate the franchise tax is unnecessarily vague. C.S.H.B. 4002 seeks to eliminate this lack of clarity by changing the definition of "production" as that term is used in determining the cost of goods sold for franchise tax purposes.

### CRIMINAL JUSTICE IMPACT

It is the committee's opinion that this bill does not expressly create a criminal offense, increase the punishment for an existing criminal offense or category of offenses, or change the eligibility of a person for community supervision, parole, or mandatory supervision.

### RULEMAKING AUTHORITY

It is the committee's opinion that this bill does not expressly grant any additional rulemaking authority to a state officer, department, agency, or institution.

### ANALYSIS

C.S.H.B. 4002 amends the Tax Code to remove installation from the activities that constitute production for purposes of determining cost of goods sold in relation to a taxable entity's margin for the franchise tax. The bill specifies that its provisions are a clarification of existing law and do not imply that certain existing law may be construed as inconsistent with the law as amended by the bill.

### EFFECTIVE DATE

September 1, 2017.

### COMPARISON OF ORIGINAL AND SUBSTITUTE

While C.S.H.B. 4002 may differ from the original in minor or nonsubstantive ways, the following comparison is organized and formatted in a manner that indicates the substantial differences between the introduced and committee substitute versions of the bill.

#### INTRODUCED

SECTION 1. Section 171.1012(a)(2), Tax Code, is amended.

SECTION 2. This Act is a clarification of existing law and does not imply that existing law may be construed as inconsistent with

#### HOUSE COMMITTEE SUBSTITUTE

SECTION 1. Same as introduced version.

SECTION 2. The amendment made by this Act to Section 171.1012, Tax Code, is a clarification of existing law and does not

the law as amended by this Act.

imply that Section 171.1012, Tax Code, before the amendment made by this Act may be construed as inconsistent with Section 171.1012, Tax Code, as amended by this Act.

SECTION 3. This Act takes effect September 1, 2017.

SECTION 3. Same as introduced version.