

- SUBJECT:** Changing the apportionment factor calculation for broadcasters
- COMMITTEE:** Ways and Means — committee substitute recommended
- VOTE:** 11 ayes — D. Bonnen, Y. Davis, Bohac, Button, Darby, Martinez Fischer, Murphy, Parker, Springer, C. Turner, Wray
- 0 nays
- WITNESSES:** For — Robert Vonick, Motion Picture Association of America; (*Registered, but did not testify:* Angela Miele, Motion Picture Association of America; Dale Craymer, Texas Taxpayers and Research Association; Oscar Rodriguez, Texas Association of Broadcasters)
- Against — None
- On — (*Registered, but did not testify:* Jennifer Specchio, Texas Comptroller of Public Accounts)
- BACKGROUND:** Under Tax Code, sec. 171.106, relating to the franchise tax, the ratio of a taxable entity's gross sales in Texas to its total sales is the "apportionment factor." The apportionment factor is part of the calculation used to determine an entity's taxable margin for franchise tax liability purposes.
- The comptroller has required that broadcasters consider the location of the payor to be the end viewer, and not, for instance, a cable company that has a contract with the broadcaster.
- DIGEST:** CSHB 2896 would exclude a broadcaster's income arising from licensing or distributing programming or film programming from inclusion in the business's gross sales in Texas unless the domicile of the broadcaster's customer was in Texas. This bill would define "customer" to mean a person who had a direct connection or contractual relationship with the broadcaster.

This bill would take effect January 1, 2016 and would apply to a franchise

tax report originally due on or after that date.

NOTES:

The Legislative Budget Board's fiscal note indicates that the bill would reduce franchise tax receipts, resulting in a negative impact to the Property Tax Relief Fund of about \$6.1 million during fiscal 2016-17. Any loss to the fund would have to be made up with an equal amount of general revenue to fund the Foundation School Program.