

## **BILL ANALYSIS**

Senate Research Center  
77R8657 DAK-D

S.B. 1286  
By: Carona  
Finance  
4/17/2001  
As Filed

### **DIGEST AND PURPOSE**

Currently, the high technology industry is a key force in the evolution of economic development. Increasingly, states are enacting provisions exemption research and development (R&D) machinery and equipment from sales taxation in order to encourage the development of the technology industry. Such exemptions promote growth and expansion of large and small start-up companies and enhance the development of new technology, new products, and new jobs. At present, the state sales tax exemption for manufacturing equipment specifically excludes R&D equipment, and for many companies this exclusion has caused confusion with regard to whether a particular piece of equipment is R&D equipment or manufacturing equipment. Extending the sales tax exemption to R&D equipment would resolve this issue and more realistically reflect the trend in industry toward a convergence of R&D and manufacturing. As proposed, S.B. 1286 creates a sales tax exemption for qualified purchases of R&D equipment.

### **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 Chapter 151H, Tax Code, by adding Section 151.3181, as follows:

Sec. 151.3181. EQUIPMENT USED IN RESEARCH OR DEVELOPMENT. Provides that, subject to certain limitations, there are exempted from the taxes imposed by this chapter machinery, equipment, or replacement parts that are used directly in the research or development of inventions, products, processes, or technology by certain persons. Provides that the exemption from the taxes imposed by this chapter under this section is limited to certain stated amounts. Provides that the exemption does not include certain items. Defines “manufacturing” and “research or development.”

SECTION 2. Effective date: January 1, 2002.  
Makes application of this Act prospective.