BILL ANALYSIS

Senate Research Center
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S.B. 781
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As Filed

AUTHOR'S / SPONSOR'S STATEMENT OF INTENT

The inland barge and tow industry is a vital transportation link that keeps the oil and chemical industries in Texas competitive in world markets. Independent waterway operators provide docking tugs and fueling services for ships in ports and deliver raw materials and commodities in an efficient and safe mode of transportation.

This is a capital intensive industry that has significant cost of goods sold, other than labor, but because they do not own the products they are transporting, they are unable to deduct from their taxes the full range of costs of providing these services in a manner similar to the deductions allowed by those operators that own the products they are transporting.

Independent barge operators therefore are put at a distinct tax disadvantage with similarly situated companies that are doing the same job but own the product they are transporting.

S.B. 781 allows for entities engaged in the business of transporting commodities by waterways to exclude from its total revenue the cost of goods sold similar to those companies that own the products they are transporting.

As proposed, S.B. 781 amends current law relating to the exclusion of certain transportation services costs in determining total revenue 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 171.1011, Tax Code, by adding Subsection (v), as follows:

> (v) Requires a taxable entity primarily engaged in the business of transporting commodities by waterways that does not subtract cost of goods sold in computing its taxable margin to exclude from its total revenue direct costs of providing inbound and outbound transportation services by intrastate or interstate waterways to the same extent that a taxable entity that sells in the ordinary course of business real or tangible personal property would be authorized by Section 171.1012 (Determination of Cost of Goods Sold) to subtract those costs as costs of goods sold in computing its taxable margin.

SECTION 2. Provides that this Act applies only to a report originally due on or after the effective date of this Act.

SECTION 3. Effective date: January 1, 2014.