

BILL ANALYSIS

Senate Research Center
84R13527 TJB-D

C.S.S.B. 514
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Finance
5/6/2015
Committee Report (Substituted)

AUTHOR'S / SPONSOR'S STATEMENT OF INTENT

Under the current Tax Code, businesses involved in the aerospace and defense industry are unable to adjust their taxable margins for certain costs that are properly allocable under the Federal Acquisition Regulation.

The aerospace and defense industry is responsible for hundreds of thousands of jobs, contributes significant revenue to Texas annually, and places Texas among the states with the highest levels of industry-generated revenue, jobs, and exports.

C.S.S.B. 514 amends the Tax Code to allow a company to deduct a portion of the costs associated with certain federal contracts or subcontracts for purposes of computation of the franchise tax.

C.S.S.B. 514 amends current law relating to a deduction under the franchise tax for certain contracts with the federal government.

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 171.101(a), Tax Code, as follows:

(a) Provides that the taxable margin of a taxable entity is computed by:

(1) determining the taxable entity's margin, which is the lesser of:

(A) makes no change to this paragraph;

(B) an amount computed by determining the taxable entity's total revenue from its entire business under Section 171.1011 (Determination of Total Revenue from Entire Business) and subtracting the greater of:

(i) Makes no change to this subparagraph;

(ii) an amount equal to the sum of:

(a) and (b) Makes nonsubstantive changes; and

(c) any costs not already subtracted under Sub-subparagraph (a) that are properly allowable under the Federal Acquisition Regulation (48 C.F.R. Chapter 1), or a successor regulation, for contracts, or subcontracts supporting those contracts, for the sale of goods or services to the federal government by a taxable entity that is a party

to at least one contract subject to the requirements of 48
C.F.R. Chapter 2;
(2) and (3) Makes no change to these subdivisions.

SECTION 2. Provides that this Act applies only to a report originally due on or after January 1, 2016.

SECTION 3. Effective date: January 1, 2016.