

1-1 By: Taylor of Galveston S.B. No. 514
 1-2 (In the Senate - Filed February 10, 2015;
 1-3 February 11, 2015, read first time and referred to Committee on
 1-4 Finance; May 7, 2015, reported adversely, with favorable Committee
 1-5 Substitute by the following vote: Yeas 13, Nays 0; May 7, 2015,
 1-6 sent to printer.)

1-7 COMMITTEE VOTE

	Yea	Nay	Absent	PNV
1-8 Nelson	X			
1-9 Hinojosa	X			
1-10 Bettencourt	X			
1-11 Eltife	X			
1-12 Hancock	X			
1-13 Huffman	X			
1-14 Kolkhorst			X	
1-15 Nichols	X			
1-16 Schwertner	X			
1-17 Seliger	X			
1-18 Taylor of Galveston	X			
1-19 Uresti	X			
1-20 Watson	X			
1-21 West	X			
1-22 Whitmire			X	

1-24 COMMITTEE SUBSTITUTE FOR S.B. No. 514 By: Taylor of Galveston

1-25 A BILL TO BE ENTITLED
 1-26 AN ACT

1-27 relating to a deduction under the franchise tax for certain
 1-28 contracts with the federal government.

1-29 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF TEXAS:

1-30 SECTION 1. Section 171.101(a), Tax Code, is amended to read
 1-31 as follows:

1-32 (a) The taxable margin of a taxable entity is computed by:

1-33 (1) determining the taxable entity's margin, which is
 1-34 the lesser of:

1-35 (A) the amount provided by this paragraph, which
 1-36 is the lesser of:

1-37 (i) 70 percent of the taxable entity's total
 1-38 revenue from its entire business, as determined under Section
 1-39 171.1011; or

1-40 (ii) an amount equal to the taxable entity's
 1-41 total revenue from its entire business as determined under Section
 1-42 171.1011 minus \$1 million; or

1-43 (B) an amount computed by determining the taxable
 1-44 entity's total revenue from its entire business under Section
 1-45 171.1011 and subtracting the greater of:

1-46 (i) \$1 million; or

1-47 (ii) an amount equal to the sum of:

1-48 (a) at the election of the taxable
 1-49 entity, either:

1-50 (1) cost of goods sold, as
 1-51 determined under Section 171.1012; or

1-52 (2) compensation, as determined
 1-53 under Section 171.1013; ~~and~~

1-54 (b) any compensation, as determined
 1-55 under Section 171.1013, paid to an individual during the period the
 1-56 individual is serving on active duty as a member of the armed forces
 1-57 of the United States if the individual is a resident of this state
 1-58 at the time the individual is ordered to active duty and the cost of
 1-59 training a replacement for the individual; and

1-60 (c) any costs not already subtracted

2-1 under Sub-subparagraph (a) that are properly allowable under the
2-2 Federal Acquisition Regulation (48 C.F.R. Chapter 1), or a
2-3 successor regulation, for contracts, or subcontracts supporting
2-4 those contracts, for the sale of goods or services to the federal
2-5 government by a taxable entity that is a party to at least one
2-6 contract subject to the requirements of 48 C.F.R. Chapter 2;

2-7 (2) apportioning the taxable entity's margin to this
2-8 state as provided by Section 171.106 to determine the taxable
2-9 entity's apportioned margin; and

2-10 (3) subtracting from the amount computed under
2-11 Subdivision (2) any other allowable deductions to determine the
2-12 taxable entity's taxable margin.

2-13 SECTION 2. This Act applies only to a report originally due
2-14 on or after January 1, 2016.

2-15 SECTION 3. This Act takes effect January 1, 2016.

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