

1-1 By: Taylor of Galveston, Menéndez S.B. No. 1031
 1-2 (In the Senate - Filed February 22, 2017; March 6, 2017,
 1-3 read first time and referred to Committee on Finance; May 3, 2017,
 1-4 reported adversely, with favorable Committee Substitute by the
 1-5 following vote: Yeas 10, Nays 4; May 3, 2017, sent to printer.)

1-6 COMMITTEE VOTE

	Yea	Nay	Absent	PNV
1-7 Nelson	X			
1-8 Hinojosa	X			
1-9 Bettencourt	X			
1-10 Birdwell		X		
1-11 Hancock	X			
1-12 Huffman	X			
1-13 Kolthorst		X		
1-14 Nichols		X		
1-15 Schwertner	X			
1-16 Seliger	X			
1-17 Taylor of Galveston	X			
1-18 Uresti	X			
1-19 Watson	X			
1-20 West		X		
1-21 Whitmire			X	

1-23 COMMITTEE SUBSTITUTE FOR S.B. No. 1031 By: Taylor of Galveston

1-24 A BILL TO BE ENTITLED
 1-25 AN ACT

1-26 relating to a deduction under the franchise tax for certain
 1-27 contracts with the federal government.

1-28 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF TEXAS:

1-29 SECTION 1. Section 171.101(a), Tax Code, is amended to read
 1-30 as follows:

1-31 (a) The taxable margin of a taxable entity is computed by:

1-32 (1) determining the taxable entity's margin, which is
 1-33 the lesser of:

1-34 (A) the amount provided by this paragraph, which
 1-35 is the lesser of:

1-36 (i) 70 percent of the taxable entity's total
 1-37 revenue from its entire business, as determined under Section
 1-38 171.1011; or

1-39 (ii) an amount equal to the taxable entity's
 1-40 total revenue from its entire business as determined under Section
 1-41 171.1011 minus \$1 million; or

1-42 (B) an amount computed by determining the taxable
 1-43 entity's total revenue from its entire business under Section
 1-44 171.1011 and subtracting the greater of:

1-45 (i) \$1 million; or

1-46 (ii) an amount equal to the sum of:

1-47 (a) at the election of the taxable
 1-48 entity, either:

1-49 (1) cost of goods sold, as
 1-50 determined under Section 171.1012; or

1-51 (2) compensation, as determined
 1-52 under Section 171.1013; ~~and~~

1-53 (b) any compensation, as determined
 1-54 under Section 171.1013, paid to an individual during the period the
 1-55 individual is serving on active duty as a member of the armed forces
 1-56 of the United States if the individual is a resident of this state
 1-57 at the time the individual is ordered to active duty and the cost of
 1-58 training a replacement for the individual; and

1-59 (c) any costs not already subtracted
 1-60 under Sub-subparagraph (a) that are properly allowable under the

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

2-6 (2) apportioning the taxable entity's margin to this
2-7 state as provided by Section 171.106 to determine the taxable
2-8 entity's apportioned margin; and

2-9 (3) subtracting from the amount computed under
2-10 Subdivision (2) any other allowable deductions to determine the
2-11 taxable entity's taxable margin.

2-12 SECTION 2. This Act applies only to a report originally due
2-13 on or after the effective date of this Act.

2-14 SECTION 3. This Act takes effect January 1, 2020.

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