

1-1 By: Goldman, et al. (Senate Sponsor - Taylor) H.B. No. 1607
 1-2 (In the Senate - Received from the House May 13, 2019;
 1-3 May 13, 2019, read first time and referred to Committee on Finance;
 1-4 May 17, 2019, reported favorably by the following vote: Yeas 14,
 1-5 Nays 0; May 17, 2019, 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 Campbell	X			
1-12 Flores	X			
1-13 Hancock	X			
1-14 Huffman	X			
1-15 Kolkhorst	X			
1-16 Nichols	X			
1-17 Perry	X			
1-18 Taylor	X			
1-19 Watson	X			
1-20 West	X			
1-21 Whitmire			X	

1-23 A BILL TO BE ENTITLED
 1-24 AN ACT

1-25 relating to a deduction under the franchise tax for certain
 1-26 contracts with the federal government.

1-27 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF TEXAS:

1-28 SECTION 1. The legislature finds that:

1-29 (1) Texas is an epicenter of this nation's aerospace,
 1-30 aviation, defense, and military industries;

1-31 (2) with NASA's Johnson Space Center in Houston, the
 1-32 new Army Futures Command, 15 active military bases across the
 1-33 state, and major military aircraft manufacturing and maintenance
 1-34 operations, the Texas economy and our nation's aerospace and
 1-35 defense capabilities are inextricably linked;

1-36 (3) these crucial industries employ tens of thousands
 1-37 of Texans and support dozens of our communities across the state;
 1-38 and

1-39 (4) it is therefore paramount that state tax policy
 1-40 foster a competitive economic climate to ensure growth and
 1-41 retention of jobs related to the development, manufacture,
 1-42 maintenance, and ongoing services for military hardware, aircraft,
 1-43 spacecraft, and weapons systems used by and produced for our armed
 1-44 forces, related federal government agencies, and our global allies.

1-45 SECTION 2. Section 171.101, Tax Code, is amended by adding
 1-46 Subsections (e) and (f) to read as follows:

1-47 (e) For purposes of Subsection (f), "aerospace costs" means
 1-48 any costs not already subtracted under Subsection (a)(1)(B)(ii)(a)
 1-49 that are properly allocated and incurred under the Federal
 1-50 Acquisition Regulation (48 C.F.R. Chapter 1) and subject to the
 1-51 requirements of 48 C.F.R. Chapter 2 or Chapter 18 for contracts, or
 1-52 subcontracts supporting those contracts, for the sale of goods or
 1-53 services to the federal government by a taxable entity in the
 1-54 aerospace industry that is engaged in activities described by North
 1-55 American Industry Classification System code 334511, 3364, 3399,
 1-56 5413, 5415, 5416, or 5419. For purposes of this subsection, a
 1-57 reference to a federal regulation includes a successor regulation.

1-58 (f) In computing the sum for purposes of Subsection
 1-59 (a)(1)(B)(ii), a taxable entity may add to other amounts described
 1-60 by that subparagraph:

1-61 (1) for a report originally due on or after January 1,

2-1 2020, and before January 1, 2021, 20 percent of aerospace costs;
2-2 (2) for a report originally due on or after January 1,
2-3 2021, and before January 1, 2022, 40 percent of aerospace costs;
2-4 (3) for a report originally due on or after January 1,
2-5 2022, and before January 1, 2023, 60 percent of aerospace costs;
2-6 (4) for a report originally due on or after January 1,
2-7 2023, and before January 1, 2024, 80 percent of aerospace costs; and
2-8 (5) for a report originally due on or after January 1,
2-9 2024, 100 percent of aerospace costs.
2-10 SECTION 3. This Act takes effect January 1, 2020.

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