

## **BILL ANALYSIS**

Senate Research Center  
85R399 TJB-D

S.B. 1031  
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Finance  
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As Filed

### **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 and contributes significant revenue to Texas annually and places Texas among the states with the highest levels of industry-generated revenue, jobs, and exports.

S.B. 1031 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.

As proposed, S.B. 1031 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 a certain formula, including that any costs not already subtracted under Sub-subparagraph (a) (relating to a certain election of the taxable entity) 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. Makes nonsubstantive changes.

SECTION 2. Makes application of this Act prospective to January 1, 2018.

SECTION 3. Effective date: January 1, 2018.