

Chapter 377

H.B. No. 4002

1 AN ACT
2 relating to the definition of production used in determining the
3 cost of goods sold for franchise tax purposes.

4 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF TEXAS:

5 SECTION 1. Section 171.1012(a)(2), Tax Code, is amended to
6 read as follows:

7 (2) "Production" means [~~includes~~] construction,
8 [~~installation,~~] manufacture, development, mining, extraction,
9 improvement, creation, raising, or growth.

10 SECTION 2. The amendment made by this Act to Section
11 171.1012, Tax Code, is a clarification of existing law and does not
12 imply that Section 171.1012, Tax Code, before the amendment made by
13 this Act may be construed as inconsistent with Section 171.1012,
14 Tax Code, as amended by this Act.

15 SECTION 3. This Act takes effect September 1, 2017.

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 85TH LEGISLATIVE REGULAR SESSION

May 9, 2017

TO: Honorable Jane Nelson, Chair, Senate Committee on Finance

FROM: Ursula Parks, Director, Legislative Budget Board

IN RE: HB4002 by Bonnen, Dennis (Relating to the definition of production used in determining the cost of goods sold for franchise tax purposes.), **As Engrossed**

No fiscal implication to the State is anticipated.

The bill would amend Chapter 171 of the Tax Code, regarding the franchise tax, by clarifying the definition of "production" for determining the cost of goods sold deduction in calculating margin. The bill would substitute "means" for "includes" and strike the word "installation" from the definition of production.

The proposed clarification would not impact the calculation of the franchise tax and therefore would have no revenue implications.

The bill would take effect September 1, 2017.

Local Government Impact

No fiscal implication to units of local government is anticipated.

Source Agencies: 304 Comptroller of Public Accounts

LBB Staff: UP, KK, SD

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 85TH LEGISLATIVE REGULAR SESSION

April 24, 2017

TO: Honorable Dennis Bonnen, Chair, House Committee on Ways & Means

FROM: Ursula Parks, Director, Legislative Budget Board

IN RE: HB4002 by Bonnen, Dennis (relating to the definition of production used in determining the cost of goods sold for franchise tax purposes.), **Committee Report 1st House, Substituted**

No fiscal implication to the State is anticipated.

The bill would amend Chapter 171 of the Tax Code, regarding the franchise tax, by clarifying the definition of "production" for determining the cost of goods sold deduction in calculating margin. The bill would substitute "means" for "includes" and strike the word "installation" from the definition of production.

The proposed clarification would not impact the calculation of the franchise tax and therefore would have no revenue implications.

The bill would take effect September 1, 2017.

Local Government Impact

No fiscal implication to units of local government is anticipated.

Source Agencies: 304 Comptroller of Public Accounts

LBB Staff: UP, KK, SD

**LEGISLATIVE BUDGET BOARD
Austin, Texas**

FISCAL NOTE, 85TH LEGISLATIVE REGULAR SESSION

April 11, 2017

TO: Honorable Dennis Bonnen, Chair, House Committee on Ways & Means

FROM: Ursula Parks, Director, Legislative Budget Board

IN RE: HB4002 by Bonnen, Dennis (Relating to the definition of "production" in the cost of goods sold deduction for the franchise tax.), **As Introduced**

No fiscal implication to the State is anticipated.

The bill would amend Chapter 171 of the Tax Code, regarding the franchise tax, by clarifying the definition of "production" for determining the cost of goods sold deduction in calculating margin. The bill would substitute "means" for "includes" and strike the word "installation" from the definition of production.

The proposed clarification would not impact the calculation of the franchise tax and therefore would have no revenue implications.

The bill would take effect September 1, 2017.

Local Government Impact

No fiscal implication to units of local government is anticipated.

Source Agencies: 304 Comptroller of Public Accounts

LBB Staff: UP, KK, SD

LEGISLATIVE BUDGET BOARD
Austin, Texas

TAX/FEE EQUITY NOTE

85TH LEGISLATIVE REGULAR SESSION

April 24, 2017

TO: Honorable Dennis Bonnen, Chair, House Committee on Ways & Means

FROM: Ursula Parks, Director, Legislative Budget Board

IN RE: HB4002 by Bonnen, Dennis (relating to the definition of production used in determining the cost of goods sold for franchise tax purposes.), **Committee Report 1st House, Substituted**

No statistically significant impact on the overall distribution of a state tax or fee burden among individuals and businesses is anticipated from the provisions of this bill.

Source Agencies:

LBB Staff: UP, KK

**LEGISLATIVE BUDGET BOARD
Austin, Texas**

TAX/FEE EQUITY NOTE

85TH LEGISLATIVE REGULAR SESSION

April 11, 2017

TO: Honorable Dennis Bonnen, Chair, House Committee on Ways & Means

FROM: Ursula Parks, Director, Legislative Budget Board

IN RE: HB4002 by Bonnen, Dennis (Relating to the definition of "production" in the cost of goods sold deduction for the franchise tax.), **As Introduced**

No statistically significant impact on the overall distribution of a state tax or fee burden among individuals and businesses is anticipated from the provisions of this bill.

Source Agencies:

LBB Staff: UP, KK