

By: Capriglione

H.B. No. 2940

A BILL TO BE ENTITLED

AN ACT

relating to the determination of compensation for purposes of the franchise tax.

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

SECTION 1. Section 171.1013, Tax Code, is amended by amending Subsection (a) and adding Subsection (i) to read as follows:

(a) Except as otherwise provided by this section, "wages and cash compensation" means the amount entered in the Medicare wages and tips box of Internal Revenue Service Form W-2 or any subsequent form with a different number or designation that substantially provides the same information. The term also includes, to the extent not included above:

(1) net distributive income from a taxable entity treated as a partnership for federal income tax purposes, but only if the person receiving the distribution is a natural person;

(2) net distributive income from limited liability companies and corporations treated as S corporations for federal income tax purposes, but only if the person receiving the distribution is a natural person;

(3) stock awards and stock options deducted for federal income tax purposes; ~~and~~

(4) net distributive income from a limited liability company treated as a sole proprietorship for federal income tax

1 purposes, but only if the person receiving the distribution is a
2 natural person; and

3 (5) payroll taxes paid by a taxable entity in
4 connection with the employment of an officer, director, owner,
5 partner, or employee.

6 (i) Subject to Section 171.1014 and the limitation in
7 Subsection (c), a taxable entity that elects to subtract
8 compensation for the purpose of computing its taxable margin under
9 Section 171.101 may include as wages and cash compensation any
10 nonemployee compensation paid to an independent contractor as
11 reported on Internal Revenue Service Form 1099 or any subsequent
12 form with a different number or designation that substantially
13 provides the same information.

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

16 SECTION 3. This Act takes effect January 1, 2016.