

By: White

H.B. No. 1365

A BILL TO BE ENTITLED

AN ACT

relating to the computation of cost of goods sold for purposes of the franchise tax by taxable entities primarily engaged in the business of harvesting trees for wood.

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

SECTION 1. Section 171.1012, Tax Code, is amended by adding Subsection (p) to read as follows:

(p) Notwithstanding Subsection (i) or any other provision of this section, a taxable entity that is primarily engaged in the business of harvesting trees for wood may subtract as cost of goods sold the direct costs of acquiring or producing the timber for the wood that are specified by this subsection or otherwise described by this section, regardless of whether the taxable entity owns the land from which the trees are harvested, the harvested timber, or the wood resulting from the harvested timber. For purposes of this subsection, direct costs include costs of:

(1) moving harvesting equipment;

(2) severing timber;

(3) transporting timber to and from a mill or designated delivery point;

(4) obtaining, using, storing, or maintaining equipment necessary for an activity described by Subdivision (1), (2), or (3); and

(5) other supplies, labor, freight, and fuel necessary

1 for an activity described by Subdivision (1), (2), or (3).

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

4 SECTION 3. This Act takes effect January 1, 2018.