

## **BILL ANALYSIS**

Senate Research Center  
78R6549 SMJ-D

S.B. 696  
By: Estes  
Finance  
3/18/2003  
As Filed

### **DIGEST AND PURPOSE**

Currently, there exists no working partnership between the government and the private sector to encourage the production, use, and advancement of desalination in Texas. As proposed, S.B. 696 provides a franchise tax exemption for a corporation engaged solely in the business of manufacturing, selling, and installing desalination devices capable of producing at least 3,000 gallons of desalted water per day. This bill also allows a corporation that has purchased a desalination device to deduct from its apportioned taxable capital the amortized cost of the desalination device or from its apportioned taxable earned surplus 10 percent of the amortized cost of a desalination device.

### **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 Chapter 171B, Tax Code, by adding Section 171.088, as follows:

Sec. 171.088. EXEMPTION--CORPORATION ENGAGED IN BUSINESS  
DESALINATION DEVICES. (a) Defines "desalination device."

(b) Provides that a corporation engaged solely in the business of manufacturing, selling, and installing desalination devices capable of producing at least 3,000 gallons of desalted water per day is exempted from the franchise tax.

(c) Provides that this section expires September 1, 2016.

SECTION 2. Amends Chapter 171C, Tax Code, by adding Section 171.108, as follows:

Sec. 171.108. DEDUCTION OF COST OF DESALINATION DEVICE. (a) Defines "desalination devices."

(b) Authorizes a corporation to deduct from its apportioned taxable capital the amortized cost of a desalination device or from its apportioned taxable earned surplus 10 percent of the amortized cost of a desalination devices if certain conditions apply.

(c) Requires a corporation that makes a deduction under this section to file with the comptroller of public accounts of the State of Texas (comptroller) an amortization schedule showing the period in which a deduction will be made. Requires the corporation, on the request of the comptroller, to file with the comptroller proof of the cost of the desalination device or of the device's operation in this state.

(d) Authorizes a corporation to elect to make the deduction under this section from either apportioned taxable capital or apportioned taxable earned surplus for each

regular annual period. Provides that an election for an initial tax period applies to the second tax period and to the first regular annual period.

(e) Provides that this section expires September 1, 2016.

SECTION 3. (a) Effective date: January 1, 2006.

Makes application of this Act prospective.

(b) Authorizes a corporation to claim a deduction under Section 171.108, Tax Code, as added by this Act, only for an expenditure made on or after the effective date of this Act.