

AN ACT

relating to the franchise tax treatment of certain broadband grants made for the purposes of broadband deployment in this state.

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

SECTION 1. Subchapter C, Chapter 171, Tax Code, is amended by adding Section 171.10132 to read as follows:

Sec. 171.10132. PROVISIONS RELATED TO CERTAIN GRANTS RECEIVED FOR BROADBAND DEPLOYMENT IN TEXAS. (a) In this section, "qualifying broadband grant" means a grant for broadband deployment in this state received by a taxable entity:

(1) under the Broadband Equity, Access, and Deployment Program established under 47 U.S.C. Section 1702;

(2) under the State Digital Equity Capacity Grant Program established under 47 U.S.C. Section 1723;

(3) under the Digital Equity Competitive Grant Program established under 47 U.S.C. Section 1724;

(4) under the provisions of 47 U.S.C. Section 1741 providing for middle mile grants;

(5) under the broadband loan and grant pilot program authorized under Section 779, Title VII, Div. A, Consolidated Appropriations Act, 2018 (Pub. L. No. 115-141, 132 Stat. 399), from funds made available for that program under the heading "Distance Learning, Telemedicine, and Broadband Program," "Rural Utilities Service," "Rural Development Programs" in Title I,

1 Infrastructure Investments and Jobs Appropriations Act (Title I,  
2 Div. J, Pub. L. No. 117-58, 135 Stat. 1351);

3 (6) under Section 905, Division N, Consolidated  
4 Appropriations Act, 2021 (Pub. L. No. 116-260, 134 Stat. 2136); or

5 (7) from a state, territory, tribal government, or  
6 unit of local government to the extent the grant was:

7 (A) funded by amounts provided under 42 U.S.C.  
8 Section 802, 803, or 804; and

9 (B) provided for the stated purposes of making  
10 investments in broadband infrastructure.

11 (b) Notwithstanding any other law, a taxable entity:

12 (1) shall exclude from its total revenue, to the  
13 extent included under Section 171.1011(c)(1)(A), (c)(2)(A), or  
14 (c)(3), qualifying broadband grant proceeds for the purposes of  
15 broadband deployment in this state;

16 (2) may include as a cost of goods sold under Section  
17 171.1012 any expense paid using qualifying broadband grant proceeds  
18 for the purposes of broadband deployment in this state if the  
19 expense is otherwise includable as a cost of goods sold under that  
20 section; and

21 (3) may include as compensation under Section 171.1013  
22 any expense paid using qualifying broadband grant proceeds for the  
23 purposes of broadband deployment in this state if the expense is  
24 otherwise includable as compensation under that section.

25 SECTION 2. This Act applies only to a report originally due  
26 on or after January 1, 2023.

27 SECTION 3. This Act takes effect immediately if it receives

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1 a vote of two-thirds of all the members elected to each house, as  
2 provided by Section 39, Article III, Texas Constitution. If this  
3 Act does not receive the vote necessary for immediate effect, this  
4 Act takes effect September 1, 2023.

\_\_\_\_\_  
President of the Senate

\_\_\_\_\_  
Speaker of the House

I hereby certify that S.B. No. 1243 passed the Senate on April 18, 2023, by the following vote: Yeas 30, Nays 1.

\_\_\_\_\_  
Secretary of the Senate

I hereby certify that S.B. No. 1243 passed the House on May 9, 2023, by the following vote: Yeas 132, Nays 12, one present not voting.

\_\_\_\_\_  
Chief Clerk of the House

Approved:

\_\_\_\_\_  
Date

\_\_\_\_\_  
Governor