

Income/Franchise:

Texas: On Remand, Appellate Court Affirms District Court Ruling on Sourcing Satellite Radio Subscription Receipts

Case No. 03-18-00573-CV, Tex. Ct. App. (11/10/22). On remand from the Texas Supreme Court's holding earlier this year that a taxpayer properly computed its apportionment factor for Texas franchise tax purposes by sourcing receipts to Texas based on where the taxpayer's programs were produced and not the location where the customer received the benefit of the taxpayer's service [see Case No. 20-0462, Tex. (3/25/22) and previously issued Multistate Tax Alert for more details on this Texas Supreme Court ruling], the Texas Third Court of Appeals, Austin (Court of Appeals) effectively affirmed the district court's judgment from 2018 [see previously issued Multistate Tax Alert for more details on this 2018 lower court ruling] to hold that the evidence in this case is legally sufficient to support the district court's conclusion that the taxpayer properly apportioned its receipts for services performed in Texas for tax years 2010 and 2011. In doing so, the Court of Appeals reasoned that the taxpayer is not prohibited from relying on "cost-of-performance data" to apportion its subscription receipts for services performed in Texas. Please contact us with any questions.

URL: <https://search.txcourts.gov/SearchMedia.aspx?MediaVersionID=3e67987b-5041-4e56-b599-7a953f3ba8e7&MediaID=ca622b45-b5ad-46dd-97e8-8ad1aaa010bb&coa=%22%20+%20this.CurrentWebState.CurrentCourt%20+%20@%22&DT=Opinion>

URL: <https://search.txcourts.gov/Case.aspx?cn=20-0462&coa=cossup>

URL: <https://www2.deloitte.com/content/dam/Deloitte/us/Documents/Tax/us-tax-texas-supreme-court-rules-in-taxpayers-favor-regarding-apportionment-dispute.pdf>

URL: <https://www2.deloitte.com/us/en/pages/tax/articles/texas-district-court-apportionment-based-on-location-of-production-activities-and-fair-value-of-services-performed-in-texas.html?id=us:2em:3na:stm:awa:tax:111822&sfid=7015Y000003bKDOQA2>

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