

Income/Franchise:

Texas: Guidance Addresses Costs Included as Benefits for Compensation Deduction for Franchise Tax Purposes

Letter No. 202310005L, Tex. Comptroller of Public Accounts (10/13/23). In a publication issued by Tax Policy explaining the types of costs allowed when determining the compensation deduction, the Texas Comptroller of Public Accounts (Comptroller) explained costs that may be included as benefits must:

URL: <https://star.comptroller.texas.gov/view/202310005L>

- Be similar to the items listed in Texas Tax Code section 171.1013(b)(2) (e.g., workers' compensation benefits, health care, employer contributions made to employees' health savings accounts, and retirement) and provide value to an employee in a personal capacity;
- Be deductible for federal income tax purposes;
- Not already be included in wages and cash compensation; and
- Meet all the other requirements of title 34 Tex. Admin. Code section 3.589(e).

The Comptroller also provided a non-exhaustive list of items that may be included in the compensation deduction as benefits *under certain circumstances* (e.g., certain immigration expenses, meals, relocation/travel expenses, company-provided vehicles, health checkups, sports club memberships, cell phone expenses, entertainment expenses, book and journal subscriptions, professional dues, and studies/tuition reimbursement), and also lists certain items that may *not* be included as benefits. Please contact us with any questions.

— Robert Topp (Houston)
Managing Director
Deloitte Tax LLP
rtopp@deloitte.com

Grace Taylor (Houston)
Senior Manager
Deloitte Tax LLP
grtaylor@deloitte.com

This communication contains general information only, and none of Deloitte Touche Tohmatsu Limited (“DTTL”), its global network of member firms or their related entities (collectively, the “Deloitte organization”) is, by means of this communication, rendering professional advice or services. Before making any decision or taking any action that may affect your finances or your business, you should consult a qualified professional adviser.

No representations, warranties or undertakings (express or implied) are given as to the accuracy or completeness of the information in this communication, and none of DTTL, its member firms, related entities, employees or agents shall be liable or responsible for any loss or damage whatsoever arising directly or indirectly in connection with any person relying on this communication. DTTL and each of its member firms, and their related entities, are legally separate and independent entities.

About Deloitte

Deloitte refers to one or more of Deloitte Touche Tohmatsu Limited (“DTTL”), its global network of member firms, and their related entities (collectively, the “Deloitte organization”). DTTL (also referred to as “Deloitte Global”) and each of its member firms and related entities are legally separate and independent entities, which cannot obligate or bind each other in respect of third parties. DTTL and each DTTL member firm and related entity is liable only for its own acts and omissions, and not those of each other. DTTL does not provide services to clients. Please see www.deloitte.com/about to learn more.

Deloitte provides industry-leading audit and assurance, tax and legal, consulting, financial advisory, and risk advisory services to nearly 90% of the Fortune Global 500® and thousands of private companies. Our professionals deliver measurable and lasting results that help reinforce public trust in capital markets, enable clients to transform and thrive, and lead the way toward a stronger economy, a more equitable society and a sustainable world. Building on its 175-plus year history, Deloitte spans more than 150 countries and territories. Learn how Deloitte’s approximately 415,000 people worldwide make an impact that matters at www.deloitte.com.