COURT OF APPEALS FOR THE THIRD JUDICIAL DISTRICT OF TEXAS AT AUSTIN

Glenn Hegar, Comptroller of the State of Texas and Ken Paxton, Attorney General of the State of Texas v. Autohaus LP, LLP

No. 03-15-00427-CV, Court of Appeals for the Third Judicial District of Texas at Austin (October 7, 2016)

SUMMARY

This document is the State of Texas's response to an amici curiae brief in an appeal concerning whether Autohaus's labor and installation costs qualify as cost-of-goods-sold deductions under Texas Tax Code section 171.1012. The State argues that the statute requires a cost-specific analysis and does not permit taxpayers to use federal deductions as a general basis for calculating the Texas deduction, and it requests reversal of the trial court's judgment.

CASE DETAILS

COURT	Court of Appeals for the Third Judicial District of Texas at Austin
JURISDICTION	Texas
DECIDED	October 7, 2016
DOCKET	03-15-00427-CV
DISPOSITION	other
PROCEDURAL POSTURE	State appellants filed a response to a brief submitted by nonparty amici in an appeal from a Travis County district court summary judgment awarding judgment, attorneys' fees, and costs to Autohaus.
STANDARD OF REVIEW	The filing refers to the district court's grant of summary judgment but does not state the appellate standard of review.
PRECEDENTIAL VALUE	not applicable; source is a party brief rather than a court opinion
PARTIES	Glenn Hegar, Comptroller of the State of Texas, Ken Paxton, Attorney General of the State of Texas v. Autohaus LP, LLP

TOPICS

tax · state and local tax · statutory interpretation · appellate procedure · commercial litigation

PRACTICE AREAS

Texas franchise tax · state and local taxation · appellate litigation · statutory interpretation · commercial litigation

QUESTIONS PRESENTED

1. Whether labor costs incurred by Autohaus to install automobile parts on customer-owned vehicles qualify as costs of goods sold under Texas Tax Code section 171.1012.
2. Whether the district court properly granted summary judgment in favor of Autohaus.
3. Whether the district court had jurisdiction to award attorneys' fees and costs.

KEY QUOTATIONS

> *"Autohaus is not a "producer" of parts within the meaning of the Tax Code and, consequently, is not entitled to a costs-of-goods-sold deduction for labor costs incurred to install parts in customer-owned vehicles."* (16)

FACTUAL BACKGROUND

Autohaus repairs and maintains customers' automobiles. In performing that work, Autohaus acquires automobile parts and installs those parts on customer-owned vehicles, transferring ownership of the installed parts to customers. The dispute concerns whether Autohaus's labor and other installation-related costs qualify as costs of goods sold under Texas Tax Code section 171.1012 for purposes of the Texas franchise tax.

PROCEDURAL HISTORY

The matter was on appeal from the 419th Judicial District Court of Travis County, Texas. The State's filing argues that the district court erred by granting summary judgment for Autohaus and awarding attorneys' fees and costs, and requests reversal and rendition of judgment for the State or, alternatively, reversal and remand.

DISPOSITION

other

CASES CITED

- In re Nestle USA, Inc., 387 S.W.3d 610, 615 (Tex. 2012)
- Combs v. Newpark Res., Inc., 422 S.W.3d 46, 48 (Tex. App.—Austin 2013, no pet.)
- Hegar v. CGG Veritas Services (U.S.), Inc., 2016 WL 1039054 (Tex. App.—Austin Mar. 9, 2016, no pet.)