

By: Springer, Perry

S.B. No. 675

A BILL TO BE ENTITLED

1 AN ACT  
2 relating to small business recovery funds and insurance tax credits  
3 for certain investments in those funds; imposing a monetary  
4 penalty; authorizing fees.

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

6 SECTION 1. Subtitle F, Title 4, Government Code, is amended  
7 by adding Chapter 487A to read as follows:

8 CHAPTER 487A. SMALL BUSINESS RECOVERY FUNDS

9 SUBCHAPTER A. GENERAL PROVISIONS

10 Sec. 487A.0001. GENERAL DEFINITIONS. In this chapter:

11 (1) "Closing date" means the date a small business  
12 recovery fund has collected all of the amounts described by Section  
13 487A.0056(a)(1).

14 (2) "Growth investment" means any capital or equity  
15 investment by a small business recovery fund in a targeted small  
16 business or any loan by a small business recovery fund to a targeted  
17 small business with a stated maturity date of at least one year  
18 after the date of issuance.

19 (3) "Office" means the Texas Economic Development and  
20 Tourism Office.

21 (4) "Rural area" means an area:

22 (A) other than a municipality with a population  
23 of more than 50,000 or an urbanized area contiguous and adjacent to

1 the municipality; or

2 (B) determined to be rural in character by the  
3 United States Department of Agriculture.

4 (5) "Small business recovery fund" means an entity  
5 approved by the office as a small business recovery fund.

6 Sec. 487A.0002. DEFINITION: AFFILIATE. (a) In this  
7 chapter, "affiliate" means an entity that directly or indirectly  
8 through one or more intermediaries controls, is controlled by, or  
9 is under common control with another entity.

10 (b) For purposes of Subsection (a), an entity is controlled  
11 by another entity if the controlling entity:

12 (1) holds, directly or indirectly, the majority voting  
13 or ownership interest in the controlled entity; or

14 (2) has control over the day-to-day operations of the  
15 controlled entity by contract or by law.

16 Sec. 487A.0003. DEFINITION: CREDIT-ELIGIBLE CAPITAL  
17 CONTRIBUTION. (a) In this chapter and subject to Subsection (b),  
18 "credit-eligible capital contribution" means an investment of cash  
19 that equals the amount specified on a tax credit certificate issued  
20 by the office under Section 487A.0055(2) made by an entity that is  
21 subject to state insurance tax liability, as defined by Section  
22 232.0001, Insurance Code.

23 (b) An investment made by an entity qualifies as a  
24 credit-eligible capital contribution only if the entity making the  
25 investment receives in exchange for the investment:

26 (1) an equity interest in a small business recovery  
27 fund; or

1           (2) at par value or premium, a debt instrument that has  
2 a maturity date of at least five years from the closing date and a  
3 repayment schedule that is no faster than level principal  
4 amortization over five years.

5           Sec. 487A.0004. DEFINITION: INVESTMENT AUTHORITY. (a) In  
6 this chapter, "investment authority" means the amount stated on the  
7 notice issued under Section 487A.0055(1) approving the small  
8 business recovery fund.

9           (b) At least 65 percent of a small business recovery fund's  
10 investment authority must consist of credit-eligible capital  
11 contributions.

12           Sec. 487A.0005. DEFINITION: JOBS CREATED. (a) In this  
13 chapter, "jobs created" means, with respect to a targeted small  
14 business, employment positions that:

- 15                   (1) are created by the targeted small business;  
16                   (2) are located in this state;  
17                   (3) require at least 35 hours of work each week; and  
18                   (4) were not located in this state at the time of the  
19 initial growth investment in the targeted small business.

20           (b) The number of jobs created by a targeted small business  
21 is calculated each year by subtracting the number of employment  
22 positions in this state at the targeted small business at the time  
23 of the initial growth investment in the targeted small business  
24 from the monthly average of those employment positions for that  
25 year. If the number calculated under this subsection is less than  
26 zero, the number shall be reported as zero.

27           (c) The monthly average of employment positions for a year

1 is calculated by adding the number of employment positions existing  
2 on the last day of each month of the year and dividing that sum by  
3 12.

4 Sec. 487A.0006. DEFINITION: JOBS RETAINED. (a) In this  
5 chapter, "jobs retained" means, with respect to a targeted small  
6 business, employment positions that:

7 (1) are located in this state, require at least 35  
8 hours of work each week, and existed before the initial growth  
9 investment in the targeted small business; and

10 (2) would have been lost or moved out of this state had  
11 a growth investment in the targeted small business not been made, as  
12 certified in writing by an executive officer of the targeted small  
13 business to the small business recovery fund.

14 (b) The number of jobs retained by a targeted small business  
15 is calculated each year based on the monthly average of employment  
16 positions for that year.

17 (c) The monthly average of employment positions for a year  
18 is calculated by adding the number of employment positions existing  
19 on the last day of each month of the year and dividing that sum by  
20 12.

21 (d) The reported number of jobs retained for a year may not  
22 exceed the number reported on the initial report under Section  
23 487A.0155. The small business recovery fund shall reduce the  
24 number of jobs retained for a year if employment at the targeted  
25 small business is less than the number reported on the initial  
26 report.

27 Sec. 487A.0007. DEFINITION: TARGETED SMALL BUSINESS. (a)

1 In this chapter, "targeted small business" means a business that,  
2 at the time of the initial growth investment in the business:

3 (1) had fewer than 250 employees, including any  
4 persons who would be considered employees under the federal law to  
5 which 13 C.F.R. Section 121.103(h)(4) applies as a result of the  
6 application of that provision; and

7 (2) has its principal business operations located in  
8 this state.

9 (b) For purposes of Subsection (a)(2), the principal  
10 business operations of a business are located at a place where:

11 (1) at least 80 percent of the business's employees  
12 work; or

13 (2) employees who are paid at least 80 percent of the  
14 business's payroll work.

15 (c) An out-of-state business that agrees to relocate or hire  
16 new employees using the proceeds of a growth investment to  
17 establish principal business operations in this state qualifies as  
18 a targeted small business if the business satisfies the  
19 requirements of:

20 (1) Subsection (a)(1) at the time of the initial  
21 growth investment in the business; and

22 (2) Subsection (a)(2) not later than the 180th day  
23 after receiving the initial growth investment or a later date  
24 agreed to by the office.

25 Sec. 487A.0008. RULES. The office shall adopt rules  
26 necessary to implement this chapter.

27 SUBCHAPTER B. APPROVAL OF SMALL BUSINESS RECOVERY FUNDS; TAX

CREDIT CERTIFICATES

1  
2 Sec. 487A.0051. APPLICATION. (a) Subject to Section  
3 487A.0202, the office shall accept applications from entities  
4 seeking approval as small business recovery funds.

5 (b) An application must include:

6 (1) the total investment authority sought by the  
7 applicant under the applicant's business plan;

8 (2) evidence sufficient to prove to the office's  
9 satisfaction that, as of the date the applicant submits the  
10 application:

11 (A) the applicant or affiliates of the applicant  
12 have invested, in the aggregate, at least \$100 million in nonpublic  
13 companies; and

14 (B) at least one principal in a rural business  
15 investment company licensed under 7 U.S.C. Section 2009cc et seq.  
16 or a small business investment company licensed under 15 U.S.C.  
17 Section 681 is, and has been for at least four years, an officer or  
18 employee of the applicant or of an affiliate of the applicant on the  
19 date the application is submitted;

20 (3) a copy of the rural business investment company  
21 license or small business investment company license described by  
22 Subdivision (2)(B);

23 (4) an estimate of the number of jobs created and jobs  
24 retained that will result from the applicant's growth investments;

25 (5) a business plan that includes a revenue impact  
26 assessment that:

27 (A) projects state and local tax revenue to be

1 generated by the applicant's proposed growth investments; and

2 (B) is prepared by a nationally recognized third  
3 party independent economic forecasting firm using a dynamic  
4 economic forecasting model that analyzes the applicant's business  
5 plan for the 10-year period following the date the applicant  
6 submits the application;

7 (6) a signed affidavit from each committed investor  
8 stating the amount of credit-eligible capital contributions the  
9 investor commits to making; and

10 (7) a nonrefundable application fee of \$5,000.

11 Sec. 487A.0052. DECISION ON APPLICATION. (a) The office  
12 shall make a determination on each application not later than the  
13 30th day after the date the office receives the application. The  
14 office shall make application determinations in the order in which  
15 applications are received and shall consider applications received  
16 on the same day to be received simultaneously.

17 (b) The office shall approve up to \$300 million of  
18 investment authority under this chapter.

19 (c) If a request for investment authority exceeds the limit  
20 under Subsection (b), the office shall reduce the investment  
21 authority and the credit-eligible capital contributions for that  
22 application as necessary to avoid exceeding the limit. If multiple  
23 applications received on the same day request a combined investment  
24 authority that exceeds the limit under Subsection (b), the office  
25 shall proportionally reduce the investment authority and the  
26 credit-eligible capital contributions for those applications as  
27 necessary to avoid exceeding the limit. The office may not reduce

1 an applicant's investment authority for any reason other than as  
2 authorized by this subsection.

3 Sec. 487A.0053. GROUNDS FOR DENIAL. The office may deny an  
4 application under this subchapter only if:

5 (1) the application is incomplete or the application  
6 fee is not paid in full;

7 (2) the applicant fails to satisfy the requirements of  
8 Section 487A.0051(b)(2);

9 (3) the revenue impact assessment submitted under  
10 Section 487A.0051(b)(5) does not demonstrate that the applicant's  
11 business plan will result in a positive economic impact on combined  
12 state and local revenue during the 10-year period covered by the  
13 assessment that exceeds the cumulative amount of tax credits that  
14 would be issued to the applicant's investors under Chapter 232,  
15 Insurance Code, if the application were approved;

16 (4) the credit-eligible capital contributions  
17 described in affidavits submitted under Section 487A.0051(b)(6) do  
18 not equal at least 65 percent of the total amount of investment  
19 authority sought under the applicant's business plan; or

20 (5) the office has already approved the maximum amount  
21 of investment authority allowed under Section 487A.0052(b).

22 Sec. 487A.0054. SUBMISSION OF ADDITIONAL INFORMATION  
23 FOLLOWING DENIAL. (a) If the office denies an application the  
24 applicant may, not later than the 15th day after the date the office  
25 provides notice of denial, provide additional information to the  
26 office to complete, clarify, or cure defects in the application  
27 identified by the office.



1       (b) If the applicant completes, clarifies, or cures the  
2 defects in its application during the period prescribed by  
3 Subsection (a), the application is considered complete as of the  
4 original submission date.

5       (c) If the applicant fails to complete, clarify, or cure the  
6 defects in its application during the period prescribed by  
7 Subsection (a), the application is finally denied. An applicant  
8 who wishes to reapply must resubmit an application in full with a  
9 new submission date.

10       (d) The office shall review and reconsider an application  
11 described by Subsection (a) for which the applicant provides  
12 additional information not later than the 30th day after the date  
13 the applicant provides the information. The office shall consider  
14 that application before any pending applications submitted after  
15 the date that application was originally submitted.

16       (e) This section does not apply to an application denied as  
17 a result of the applicant's failure to submit with the application  
18 affidavits required by Section 487A.0051(b)(6).

19       Sec. 487A.0055. APPROVAL BY OFFICE. On approval of an  
20 application, the office shall provide:

21               (1) written notice to the applicant of the applicant's  
22 approval as a small business recovery fund, including the amount of  
23 the fund's investment authority; and

24               (2) a tax credit certificate to each investor whose  
25 affidavit was included in the application and include on the  
26 certificate the amount of the investor's credit-eligible capital  
27 contribution.

1       Sec. 487A.0056. DUTIES OF FUND FOLLOWING APPROVAL. (a) A  
2 small business recovery fund shall:

3           (1) not later than the 60th day after the date the fund  
4 receives the approval notice under Section 487A.0055:

5                   (A) collect the credit-eligible capital  
6 contribution from each investor issued a tax credit certificate  
7 under Section 487A.0055; and

8                   (B) subject to Subsection (b), collect one or  
9 more investments of cash that, when added to the contributions  
10 collected under Paragraph (A), equal the fund's investment  
11 authority; and

12           (2) not later than the 65th day after the date the fund  
13 receives the approval notice under Section 487A.0055, send to the  
14 office documentation sufficient to prove that the fund has  
15 collected the amounts described in Subdivision (1).

16           (b) At least 10 percent of the small business recovery  
17 fund's investment authority must consist of equity investments  
18 contributed directly or indirectly by affiliates of the fund,  
19 including employees, officers, and directors of those affiliates.

20       Sec. 487A.0057. LAPSE OF APPROVAL. (a) If a small business  
21 recovery fund fails to comply with the requirements of Section  
22 487A.0056, the fund's approval lapses and the corresponding  
23 investment authority described by Section 487A.0056(a)(1) does not  
24 count toward the limit prescribed by Section 487A.0052(b).

25           (b) The office shall first award lapsed investment  
26 authority pro rata to each small business recovery fund whose  
27 requested investment authority was reduced under Section

1 487A.0052(c). The small business recovery fund may allocate the  
2 investment authority awarded under this subsection to the fund's  
3 investors in the fund's discretion. The office may award any  
4 remaining investment authority to new applicants.

5 Sec. 487A.0058. DISPOSITION OF APPLICATION FEES.

6 Application fees submitted to the office under Section  
7 487A.0051(b)(7) shall be deposited to the credit of the general  
8 revenue fund and may be appropriated only to the office for the  
9 purpose of administering this chapter.

10 SUBCHAPTER C. REVOCATION OF TAX CREDIT CERTIFICATE

11 Sec. 487A.0101. GROUNDS FOR REVOCATION. (a) The office  
12 shall revoke a tax credit certificate issued under Subchapter B in  
13 connection with an investment in a small business recovery fund if,  
14 before the fund exits the program under Section 487A.0151, the  
15 fund:

16 (1) subject to Subsection (b), fails to invest at  
17 least 60 percent of the fund's investment authority in growth  
18 investments in this state on or before the second anniversary of the  
19 closing date and 100 percent of the fund's investment authority in  
20 growth investments in this state on or before the third anniversary  
21 of the closing date;

22 (2) subject to Subsection (c) and after making the  
23 investments necessary to avoid revocation under Subdivision (1),  
24 fails to maintain growth investments equal to 100 percent of the  
25 fund's investment authority until the sixth anniversary of the  
26 closing date;

27 (3) makes a distribution or payment that results in

1 the fund having less than 100 percent of its investment authority:

2 (A) invested in growth investments in this state;

3 or

4 (B) available for investment in growth  
5 investments and held in:

6 (i) cash;

7 (ii) United States Treasury securities;

8 (iii) bonds or notes issued by this state or  
9 an agency or political subdivision of this state; or

10 (iv) a deposit account with a depository  
11 institution headquartered or chartered in this state; or

12 (4) subject to Subsection (d), makes a growth  
13 investment in a targeted small business that directly or indirectly  
14 through an affiliate owns, has the right to acquire an ownership  
15 interest in, makes a loan to, or makes an investment in the fund, an  
16 affiliate of the fund, or an investor in the fund.

17 (b) For purposes of Subsection (a)(1):

18 (1) the amount of growth investments that a small  
19 business recovery fund may count with respect to a particular  
20 targeted small business, including any amount invested in an  
21 affiliate of the targeted small business, may not exceed \$5  
22 million; and

23 (2) at least 75 percent of the required amounts of  
24 growth investments must consist of growth investments in targeted  
25 small businesses whose principal business operations are located  
26 in, or are relocated to, a rural area in this state.

27 (c) For purposes of Subsection (a)(2):

1           (1) the amount of growth investments that a small  
2 business recovery fund may count with respect to a particular  
3 targeted small business, including any amount invested in an  
4 affiliate of the targeted small business, may not exceed \$5  
5 million;

6           (2) an investment that is sold or repaid is considered  
7 to be maintained if the small business recovery fund reinvests an  
8 amount equal to the capital returned or recovered by the fund from  
9 the original investment, excluding any profit realized, in another  
10 growth investment in this state on or before the first anniversary  
11 of the date the capital is returned or recovered; and

12           (3) an amount received periodically by a small  
13 business recovery fund is considered to be continually invested in  
14 growth investments if that amount is reinvested in one or more  
15 growth investments by the end of the calendar year following the  
16 year of receipt.

17           (d) Subsection (a)(4) does not apply to investments in  
18 publicly traded securities by a targeted small business or an owner  
19 or affiliate of the targeted small business. For purposes of  
20 Subsection (a)(4), a small business recovery fund is not considered  
21 an affiliate of a targeted small business solely as a result of the  
22 fund's growth investment in the targeted small business.

23           (e) The office shall:

24           (1) notify the comptroller when the office revokes a  
25 tax credit certificate; and

26           (2) on request, provide the comptroller with lists of  
27 valid and revoked tax credit certificates.

Sec. 487A.0102. OPPORTUNITY TO CORRECT VIOLATION. (a)

Before revoking a tax credit certificate under this subchapter, the office shall notify the small business recovery fund of the reasons for the pending revocation.

(b) The small business recovery fund may, not later than the 90th day after the date the notice is received, correct any violation outlined in the notice to the satisfaction of the office and avoid revocation of the tax credit certificate.

Sec. 487A.0103. ALLOCATION OF REVOKED INVESTMENT

AUTHORITY. (a) If a tax credit certificate is revoked under this subchapter, the associated investment authority does not count toward the limit on total investment authority described in Section 487A.0052(b).

(b) The office shall first award revoked investment authority pro rata to each small business recovery fund whose requested investment authority was reduced under Section 487A.0052(c). The office may award any remaining investment authority to new applicants.

SUBCHAPTER D. CERTAIN FUND OPERATIONS

Sec. 487A.0151. APPLICATION TO EXIT PROGRAM. (a) On or

after the sixth anniversary of the closing date, a small business recovery fund may apply to the office to exit the program and no longer be subject to regulation under this chapter.

(b) The office shall respond to the application not later than the 30th day after receipt.

(c) A small business recovery fund is eligible to exit the program under this section if no tax credit certificates related to

1 investments in the fund have been revoked and the fund has not  
2 received any revocation notice that has not been corrected under  
3 Section 487A.0102.

4 (d) The office may not unreasonably deny an application  
5 under this section. The office shall give the small business  
6 recovery fund notice of a denial and include in the notice the  
7 reasons for the denial.

8 Sec. 487A.0152. NO REVOCATION FOLLOWING EXIT. The office  
9 may not revoke a tax credit certificate related to an investment in  
10 a small business recovery fund after the fund's exit from the  
11 program.

12 Sec. 487A.0153. PENALTY FOR CERTAIN DISTRIBUTIONS. (a)  
13 For purposes of this section:

14 (1) the "actual number of jobs created and retained"  
15 is the number of jobs created and jobs retained as a result of all of  
16 a small business recovery fund's current and former growth  
17 investments, as reported on the fund's reports submitted under  
18 Section 487A.0155; and

19 (2) the "estimated number of jobs created and  
20 retained" is the estimated number of jobs created and jobs retained  
21 included in a small business recovery fund's application under  
22 Section 487A.0051(b)(4) reduced, if applicable, by the same  
23 percentage as the total investment authority sought under the  
24 fund's business plan submitted under Section 487A.0051(b)(1) was  
25 reduced under Section 487A.0052(c).

26 (b) A small business recovery fund is subject to a penalty  
27 in the amount provided by Subsection (c) if:

1           (1) the fund authorizes a distribution to the fund's  
2 equity holders in an amount that, when added to all previous  
3 distributions to the fund's equity holders and any previous  
4 penalties under this section, exceeds the fund's investment  
5 authority; and

6           (2) the fund's actual number of jobs created and  
7 retained is less than the fund's estimated number of jobs created  
8 and retained.

9           (c) The amount of the penalty is equal to the amount of the  
10 authorized distribution multiplied by a fraction:

11           (1) the numerator of which is the fund's estimated  
12 number of jobs created and retained less the fund's actual number of  
13 jobs created and retained; and

14           (2) the denominator of which is the fund's estimated  
15 number of jobs created and retained.

16           (d) Before making a distribution to the fund's equity  
17 holders, the fund shall deduct the amount of the penalty from the  
18 amount otherwise authorized to be distributed to the equity holders  
19 and pay the penalty to the office.

20           (e) The office shall deposit penalties received under  
21 Subsection (d) in the general revenue fund.

22           Sec. 487A.0154. EVALUATION OF PROPOSED INVESTMENT. (a) A  
23 small business recovery fund, before making a growth investment,  
24 may request from the office a written opinion as to whether the  
25 business in which the fund proposes to invest qualifies as a  
26 targeted small business.

27           (b) Not later than the 15th business day after receiving the



1 request, the office shall notify the small business recovery fund  
2 of its determination.

3 (c) If the office fails to notify the small business  
4 recovery fund of its determination on or before the 15th business  
5 day after receiving the request, the business in which the fund  
6 proposes to invest is considered to be a targeted small business for  
7 purposes of this chapter.

8 Sec. 487A.0155. ANNUAL REPORT. (a) A small business  
9 recovery fund shall submit a report to the office on or before the  
10 fifth business day after each anniversary of the closing date until  
11 the fund has exited the program under Section 487A.0151.

12 (b) The report must document the small business recovery  
13 fund's growth investments and include:

14 (1) a bank statement showing each growth investment;

15 (2) the name, location, and industry of each business  
16 receiving a growth investment, including either the determination  
17 notice described by Section 487A.0154 or evidence that the business  
18 qualified as a targeted small business at the time the investment  
19 was made;

20 (3) the number of jobs created and jobs retained in the  
21 preceding calendar year as a result of the fund's growth  
22 investments as of the last day of that period;

23 (4) the average annual salary of the jobs described by  
24 Subdivision (3) and evidence of any other monetary or social  
25 benefit to this state as a result of those jobs;

26 (5) a description, including the amount, of each  
27 growth investment in a targeted small business located in a rural

1 area made in the 24 months following the closing date; and

2 (6) any other information the office requires.

3 (c) A small business recovery fund may, but is not required  
4 to, include in any report submitted under this section information  
5 about the number of jobs created and jobs retained with respect to a  
6 former growth investment that the fund has exited.

7 SUBCHAPTER E. REPORT; CONDITIONS FOR ACCEPTANCE OF CERTAIN

8 APPLICATIONS

9 Sec. 487A.0201. REPORT. (a) Before the beginning of the  
10 90th Legislature, Regular Session, the office shall submit to the  
11 lieutenant governor, the speaker of the house of representatives,  
12 and each member of the legislature a report on the economic benefits  
13 of this chapter.

14 (b) The report must include an assessment of:

15 (1) the aggregate effects of growth investments made  
16 under this chapter, including:

17 (A) the total number of jobs created by all  
18 targeted small businesses, including direct jobs, indirect jobs,  
19 and induced jobs;

20 (B) the total number of jobs retained by all  
21 targeted small businesses;

22 (C) the total amount of wages paid in connection  
23 with jobs created and jobs retained by all targeted small  
24 businesses;

25 (D) the median wage of jobs created and jobs  
26 retained by all targeted small businesses;

27 (E) the total effect on personal income in this

1 state, including direct and indirect effects;  
2 (F) the total amount of growth investments;  
3 (G) the gross domestic product of this state  
4 attributable to targeted small businesses;  
5 (H) the total taxable value of property of  
6 targeted small businesses in this state according to tax appraisal  
7 rolls;  
8 (I) the total positive fiscal effect on this  
9 state and local governments in this state; and  
10 (J) the total number and dollar amount of growth  
11 investments in targeted small businesses located in rural areas;  
12 (2) the benefits to this state from cost savings  
13 attributable to jobs created and jobs retained by all targeted  
14 small businesses, including:  
15 (A) Medicaid savings, with savings to this state  
16 and the federal government listed separately;  
17 (B) food assistance program savings;  
18 (C) unemployment insurance payment savings; and  
19 (D) any other savings that can be reasonably  
20 estimated using data available to the office in connection with  
21 some or all targeted small businesses; and  
22 (3) the total positive fiscal effect on this state and  
23 local governments in this state of the benefits described by  
24 Subdivision (2).  
25 (c) The report may not include information that is  
26 confidential by law.  
27 (d) In preparing the portion of the report described by

1 Subsection (b)(1), the office shall:

2 (1) use standard, nationally recognized economic  
3 estimation techniques, including economic multipliers; and

4 (2) base the assessment on data submitted to the  
5 office by each small business recovery fund.

6 Sec. 487A.0202. CONDITIONS FOR ACCEPTANCE OF CERTAIN  
7 APPLICATIONS. (a) The office may not accept applications under  
8 Section 487A.0051 after January 1, 2022, unless the total positive  
9 fiscal effects described by Section 487A.0201(b) exceed the sum of  
10 all tax credit certificates issued by the office under Subchapter  
11 B.

12 (b) The office shall resume accepting applications under  
13 Section 487A.0051 when the condition provided by Subsection (a) is  
14 satisfied.

15 SECTION 2. Subtitle B, Title 3, Insurance Code, is amended  
16 by adding Chapter 232 to read as follows:

17 CHAPTER 232. TAX CREDIT FOR INVESTMENT IN SMALL BUSINESS RECOVERY  
18 FUND

19 SUBCHAPTER A. GENERAL PROVISIONS

20 Sec. 232.0001. DEFINITIONS. In this chapter:

21 (1) "Affiliate" has the meaning assigned by Section  
22 487A.0002, Government Code.

23 (2) "Closing date" has the meaning assigned by Section  
24 487A.0001, Government Code.

25 (3) "State insurance tax liability" means any tax  
26 liability incurred under Chapter [221](#), [222](#), [223](#), [223A](#), [224](#), [225](#),  
27 [226](#), or [281](#).

1       Sec. 232.0002. RULES. The comptroller shall adopt rules  
2 necessary to implement this chapter.

3                   SUBCHAPTER B. TAX CREDIT

4       Sec. 232.0051. ELIGIBILITY FOR CREDIT. An entity is  
5 eligible for a credit against the entity's state insurance tax  
6 liability in the amount and under the conditions and limitations  
7 provided by this chapter.

8       Sec. 232.0052. QUALIFICATION. An entity is eligible for a  
9 credit for a tax year if the entity holds a tax credit certificate  
10 issued under Section 487A.0055, Government Code, and the third,  
11 fourth, fifth, or sixth anniversary of the closing date in  
12 connection with which the certificate was issued occurs during the  
13 tax year.

14       Sec. 232.0053. AMOUNT OF CREDIT; LIMITATION. (a) The  
15 amount of credit for a tax year in connection with a tax credit  
16 certificate described by Section 232.0052 is equal to 25 percent of  
17 the amount of the credit-eligible capital contribution stated on  
18 the certificate.

19       (b) The total credit claimed for a tax year, including the  
20 amount of any carryforward under Section 232.0054, may not exceed  
21 the amount of state insurance tax liability due for the entity for  
22 the tax year after applying all other applicable tax credits.

23       (c) Credits may be applied to the entity's estimated or  
24 final tax payments for the tax year.

25       Sec. 232.0054. CARRYFORWARD. If an entity is eligible for a  
26 credit that exceeds the limitation under Section 232.0053(b), the  
27 entity may carry the unused credit forward and apply the credit to a

1 subsequent tax report.

2 Sec. 232.0055. ASSIGNMENT PROHIBITED. (a) Except as  
3 provided by Subsection (b), an entity may not convey, assign, or  
4 transfer the credit allowed under this chapter to another entity.

5 (b) An entity may convey, assign, or transfer the credit  
6 allowed under this chapter to an affiliate of the entity that is  
7 subject to state insurance tax liability.

8 Sec. 232.0056. RETALIATORY TAX. An entity claiming a  
9 credit under this chapter is not required to pay any additional  
10 retaliatory tax levied under Chapter 281 as a result of claiming  
11 that credit.

12 SUBCHAPTER C. RECAPTURE OF CREDIT

13 Sec. 232.0101. RECAPTURE. The comptroller shall recapture  
14 the amount of a credit claimed on a tax report filed under Chapter  
15 221, 222, 223, 223A, 224, 225, 226, or 281 from an entity if the tax  
16 credit certificate on which the credit is based is revoked under  
17 Subchapter C, Chapter 487A, Government Code.

18 SECTION 3. (a) As soon as practicable after this Act  
19 becomes law as provided by Section 2001.006, Government Code:

20 (1) the Texas Economic Development and Tourism Office  
21 shall adopt rules necessary to implement Chapter 487A, Government  
22 Code, as added by this Act; and

23 (2) the comptroller of public accounts shall adopt  
24 rules necessary to implement Chapter 232, Insurance Code, as added  
25 by this Act.

26 (b) Not later than October 1, 2021, the Texas Economic  
27 Development and Tourism Office shall begin accepting applications

1 under Section 487A.0051(a), Government Code, as added by this Act.

2 SECTION 4. Chapter 232, Insurance Code, as added by this  
3 Act, applies only to a tax report originally due on or after January  
4 1, 2021.

5 SECTION 5. This Act takes effect immediately if it receives  
6 a vote of two-thirds of all the members elected to each house, as  
7 provided by Section 39, Article III, Texas Constitution. If this  
8 Act does not receive the vote necessary for immediate effect, this  
9 Act takes effect September 1, 2023.