

By: Jones of Bexar

H.B. No. 2956

A BILL TO BE ENTITLED

AN ACT

relating to a franchise tax credit for oil and gas producers that make financial contributions to institutions of higher education.

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

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

SUBCHAPTER V. TAX CREDIT FOR CONTRIBUTIONS BY GAS AND OIL PRODUCERS
TO INSTITUTIONS OF HIGHER EDUCATION

Sec. 171.901. DEFINITIONS. In this subchapter:

(1) "Gas" has the meaning assigned by Section 201.001(4).

(2) "Institution of higher education" means a public or private institution of higher education in this state that is accredited by a recognized accrediting agency.

(3) "Oil" has the meaning assigned by Section 202.001(3).

Sec. 171.902. APPLICATION OF SUBCHAPTER. This subchapter applies only to a corporation that:

(1) takes gas or oil from the earth or water;

(2) owns, controls, manages, or leases a gas well or an oil well; or

(3) owns an interest, including a royalty interest, in gas or its value or in oil or its value, regardless of whether the gas or oil is produced by the corporation owning the interest or by

1 another person on the corporation's behalf by lease, contract, or
2 other arrangement.

3 Sec. 171.903. CREDIT. A corporation that meets the
4 eligibility requirements under this subchapter is entitled to a
5 credit in the amount allowed by this subchapter against the tax
6 imposed under this chapter.

7 Sec. 171.904. EXPENDITURES ELIGIBLE FOR CREDIT. A
8 corporation may claim a credit under this subchapter only for a
9 qualifying expenditure. A qualifying expenditure is an expenditure
10 that is:

11 (1) used for teaching or research, or services that
12 support teaching or research, at an institution of higher
13 education;

14 (2) used for an acquisition by a library or museum that
15 is owned by an institution of higher education; or

16 (3) a contribution to the endowment of an institution
17 of higher education.

18 Sec. 171.905. AMOUNT; LIMITATIONS. (a) The amount of the
19 credit allowed under this subchapter is equal to 50 percent of the
20 portion of a corporation's qualifying expenditure that is less than
21 or equal to \$100,000 and 100 percent of the portion of a
22 corporation's qualifying expenditure that exceeds \$100,000.

23 (b) A corporation may not claim a credit under this
24 subchapter in an amount that, when added to all other credits
25 claimed for the reporting period, results in a sum that exceeds
26 \$150,000.

27 (c) A corporation may claim a credit under this subchapter

1 for a qualifying expenditure during an accounting period only
2 against the tax owed for the corresponding reporting period.

3 Sec. 171.906. APPLICATION FOR CREDIT. (a) A corporation
4 must apply for a credit under this subchapter on or with the tax
5 report for the period for which the credit is claimed.

6 (b) The comptroller shall adopt a form for the application
7 for the credit. A corporation must use this form in applying for
8 the credit.

9 Sec. 171.907. RULES. The comptroller shall adopt rules for
10 implementing this subchapter, including rules requiring an
11 institution of higher education to report a qualifying expenditure
12 received under this subchapter in the institution's biennial budget
13 request.

14 Sec. 171.908. ASSIGNMENT PROHIBITED. A corporation may not
15 convey, assign, or transfer a credit allowed under this subchapter
16 to another entity unless all of the assets of the corporation are
17 conveyed, assigned, or transferred in the same transaction.

18 SECTION 2. A corporation may claim the credit under
19 Subchapter V, Chapter 171, Tax Code, as added by this Act, only:

20 (1) for a qualifying expenditure made on or after the
21 effective date of this Act; and

22 (2) on a franchise tax report due under Chapter 171,
23 Tax Code, on or after January 1, 2004.

24 SECTION 3. This Act takes effect immediately if it receives
25 a vote of two-thirds of all the members elected to each house, as
26 provided by Section 39, Article III, Texas Constitution. If this
27 Act does not receive the vote necessary for immediate effect, this

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1 Act takes effect September 1, 2003.