

Amend CSHB 3 by adding the following appropriately lettered PART to ARTICLE 2 of the bill and relettering subsequent PARTS of that article accordingly:

PART __. FRANCHISE TAX CREDIT FOR HEALTH BENEFIT PLAN
FOR EMPLOYEES AND DEPENDENTS

SECTION 2__ .01. Chapter 171, Tax Code, is amended by adding Subchapter X to read as follows:

SUBCHAPTER X. TAX CREDIT FOR HEALTH BENEFIT PLAN FOR EMPLOYEES AND
THEIR DEPENDENTS

Sec. 171.941. ENTITLEMENT TO CREDIT. A corporation is entitled to a credit in the amount and under the conditions and limitations provided by this subchapter against the tax imposed under this chapter.

Sec. 171.942. QUALIFICATION. A corporation qualifies for a credit under this subchapter if the corporation:

(1) has gross receipts from its entire business, as determined by Section 171.105, for the reporting period in an amount equal to or less than \$1 million; and

(2) obtains coverage for its employees and their dependents under a health benefit plan that constitutes creditable coverage for the purposes of Section 1205.004, Insurance Code.

Sec. 171.943. AMOUNT; LIMITATIONS. (a) The amount of the credit is 15 percent of the cost to the corporation of obtaining coverage for its employees and their dependents under a health benefit plan.

(b) The credit claimed for each privilege period may not exceed the amount of franchise tax due, before any other applicable tax credits, for the privilege period.

(c) A corporation may claim a credit under this subchapter for an expenditure made during an accounting period only against the tax owed for the corresponding privilege period.

(d) A corporation may not carry over an expenditure made during a privilege period to a subsequent privilege period.

(e) A corporation may not convey, assign, or transfer a credit under this subchapter to another entity unless all of the

assets of the corporation are conveyed, assigned, or transferred in the same transaction.

Sec. 171.944. APPLICATION FOR CREDIT. A corporation must apply for a credit under this subchapter on or with the tax report for the period for which the credit is claimed.

Sec. 171.945. RULES. The comptroller shall adopt rules necessary to implement this subchapter.

SECTION 2__.02. This part takes effect January 1, 2006, and applies only to a tax report originally due on or after that date.

SECTION 2__.03. Section 151.325, Tax Code, is repealed.