

By: Shapleigh

S.B. No. 26

A BILL TO BE ENTITLED

AN ACT

relating to a franchise tax credit for certain corporations developing ISO (International Organization for Standardization) 25,000 manufacturing protocols.

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

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

SUBCHAPTER W. TAX CREDIT FOR CERTAIN CORPORATIONS DEVELOPING ISO
25,000 MANUFACTURING PROTOCOLS

Sec. 171.911. DEFINITIONS. In this subchapter:

(1) "County average weekly wage" means the average weekly wage for all covered employment in the county as computed by the Texas Workforce Commission.

(2) "Group health benefit plan" means:

(A) a health plan provided by a health maintenance organization operating under Chapter 843, Insurance Code;

(B) a health benefit plan approved by the commissioner of insurance; or

(C) a self-funded or self-insured employee welfare benefit plan that provides health benefits and is established in accordance with the Employee Retirement Income Security Act of 1974 (29 U.S.C. Section 1001 et seq.), as amended.

(3) "Qualifying job" means a new permanent full-time

1 job that:

2 (A) is located in a strategic investment area;

3 (B) requires at least 1,600 hours of work a year;

4 (C) pays at least 110 percent of the county
5 average weekly wage for the county where the job is located;

6 (D) is covered by a group health benefit plan for
7 which the business pays at least 80 percent of the premiums or other
8 charges assessed under the plan for the employee;

9 (E) is not transferred from one area in this
10 state to another area in this state; and

11 (F) is not created to replace a previous
12 employee.

13 (4) "Research and development" means activities
14 described in category 8731 of the 1987 Standard Industrial
15 Classification Manual published by the federal Office of Management
16 and Budget.

17 (5) "Strategic investment area" has the meaning
18 assigned that term by Section 171.721 as that section existed on
19 January 1, 2006.

20 Sec. 171.912. ELIGIBILITY. (a) A corporation is eligible
21 for a credit against the tax imposed under this chapter if the
22 corporation has developed or is in the process of developing ISO
23 (International Organization for Standardization) 25,000
24 manufacturing protocols (Software product Quality Requirements and
25 Evaluation or SQuaRE) with secure manufacturing protocols and:

26 (1) is engaged in activities relating to:

27 (A) the defense industry; or

1 (B) research and development in the area of
2 facilitating the movement of people and commerce;

3 (2) creates a minimum of 10 qualifying jobs; and

4 (3) pays an average weekly wage to its employees, for
5 the year in which credits are claimed, of at least 110 percent of
6 the county average weekly wage for the county where the qualifying
7 jobs are located.

8 (b) A corporation may claim a credit or take a carryforward
9 credit without regard to whether the strategic investment area in
10 which it created the qualifying jobs subsequently loses its
11 designation as a strategic investment area, if applicable.

12 Sec. 171.913. CALCULATION OF CREDIT. A corporation may
13 establish a credit equal to 25 percent of the total wages and
14 salaries paid by the corporation for qualifying jobs during the
15 period on which the tax is based.

16 Sec. 171.914. LENGTH OF CREDIT. The credit established
17 shall be claimed in five equal installments of one-fifth the credit
18 amount over the five consecutive reports beginning with the report
19 based on the period during which the qualifying jobs were created.

20 Sec. 171.915. LIMITATIONS. (a) The total credit claimed
21 under this subchapter for a report, including the amount of any
22 carryforward credit under Section 171.916, may not exceed 50
23 percent of the amount of franchise tax due for the report before any
24 other applicable tax credits.

25 (b) A corporation that establishes its eligibility for a
26 credit under this subchapter is not eligible to establish a credit
27 under Subchapters O or P.

1 Sec. 171.916. CARRYFORWARD. (a) If a corporation is
2 eligible for a credit that exceeds the limitations under Section
3 171.915, the corporation may carry the unused credit forward for
4 not more than five consecutive reports.

5 (b) A carryforward is considered the remaining portion of a
6 credit that cannot be claimed in the current year because of the tax
7 limitation under Section 171.915. A carryforward is added to the
8 next year's credit in determining the tax limitation for that year.
9 A credit carryforward from a previous report is considered to be
10 utilized before the current year credit.

11 Sec. 171.917. CERTIFICATION OF ELIGIBILITY. (a) For the
12 initial and each succeeding report in which a credit is claimed
13 under this subchapter, the corporation shall file with its report,
14 on a form provided by the comptroller, information that
15 sufficiently demonstrates that the corporation is eligible for the
16 credit and is in compliance with Section 171.912.

17 (b) The burden of establishing entitlement to and the value
18 of the credit is on the corporation.

19 Sec. 171.918. ASSIGNMENT PROHIBITED. A corporation may not
20 convey, assign, or transfer the credit allowed under this
21 subchapter to another entity unless all of the assets of the
22 corporation are conveyed, assigned, or transferred in the same
23 transaction.

24 Sec. 171.919. RULES. The comptroller shall adopt rules
25 necessary to implement this subchapter.

26 Sec. 171.920. EXPIRATION. (a) This subchapter expires
27 December 31, 2011.

1 (b) The expiration of this subchapter does not affect the
2 carryforward of a credit under Section 171.916 or those credits for
3 which a corporation is eligible before the date this subchapter
4 expires.

5 SECTION 2. The Act applies only to a report originally due
6 on or after the effective date of this Act.

7 SECTION 3. This Act takes effect immediately if it receives
8 a vote of two-thirds of all the members elected to each house, as
9 provided by Section 39, Article III, Texas Constitution. If this
10 Act does not receive the vote necessary for immediate effect, this
11 Act takes effect September 1, 2006.