

BILL ANALYSIS

H.B. 1582
By: Flynn
Insurance
Committee Report (Unamended)

BACKGROUND AND PURPOSE

The certified capital company program was established in 2001 to stimulate economic development with a focus on small and emerging businesses located throughout Texas. The legislation targets certain low-income and rural areas with a guaranteed minimum level of investment, which is funded by the securitization of insurance premium tax credits. The legislation establishes premium tax credits to be claimed by insurance companies that invest in state-approved certified capital companies. These insurance companies were granted \$200 million in available tax credits upon investment in qualified debt instruments during 2005. These premium tax credits may be used at a maximum rate of 25 percent per year.

H.B. 1582 provides for the certified capital company program to be renewed for another round of financing.

RULEMAKING AUTHORITY

It is the committee's opinion that this bill does not expressly grant any additional rulemaking authority to a state officer, department, agency, or institution.

ANALYSIS

H.B. 1582 amends Section 228.001, Insurance Code, as added by Chapter 730, Acts of the 80th Legislature, Regular Session, 2007, to conform to the amendment of Article 4.51, Insurance Code, by Section 1, Chapter 303 (H.B. 1741), Acts of the 80th Legislature, Regular Session, 2007, to define "low-income community" to have the meaning assigned by the federal Internal Revenue Code of 1986, "Program One" to mean the program for allocation and investment of certified capital before January 1, 2007, "Program Two" to mean the program for allocation and investment of certified capital on or after January 1, 2007, and before January 1, 2010, and "Program Three" to mean the program for allocation and investment of certified capital on or after January 1, 2010.

H.B. 1582 amends Section 228.253(b), Insurance Code, to conform to the amendment of Article 4.66(a), Insurance Code, by Section 6, Chapter 303 (H.B. 1741), Acts of the 80th Legislature, Regular Session, 2007, to specify that the provisions related to filing the premium tax credit allocation claim with the comptroller of public accounts apply to Program One, Program Two, or Program Three.

H.B. 1582 amends Section 228.254, Insurance Code, to conform to the amendment of Article 4.67, Insurance Code, by Section 7, Chapter 303 (H.B. 1741), Acts of the 80th Legislature, Regular Session, 2007, to make the provisions relating to the total limit on premium tax credits applicable to Program One, Program Two, and Program Three by specifying that the total amount of certified capital for which premium tax credits may be allowed for all years in which premium tax credits are allowed is \$200 million for each program, and specifies that the total amount of certified capital may not exceed the amount that would entitle all certified investors in certified capital companies to take total credits of \$50 million a year with respect to each of the

three programs. The bill prohibits certified capital companies and their affiliates from filing premium tax credit allocation claims with respect to Program One, Program Two, and Program Three, as applicable, in excess of the maximum amount of certified capital for which premium tax credits may be allowed for that program. The bill amends Section 228.255, Insurance Code, to conform to the amendment of Article 4.68, Insurance Code, by Section 8, Chapter 303 (H.B. 1741), Acts of the 80th Legislature, Regular Session, 2007, to make the provisions relating to the allocation of premium tax credits applicable to Program One, Program Two, and Program Three.

H.B. 1582 provides that, in accordance with state law that gives effect to a substantive amendment enacted by the same legislature that codifies the amended statute, the above provisions give effect to changes made by Chapter 303 (H.B. 1741), Acts of the 80th Legislature, Regular Session, 2007.

H.B. 1582 amends the Insurance Code to add a temporary provision, set to expire January 15, 2010, that requires the rules adopted by the comptroller of public accounts to implement premium tax credits to provide that the comptroller is required to accept premium tax credit allocation claims on behalf of certified investors with respect to Program Three not later than January 1, 2010.

H.B. 1582 authorizes a certified investor to take up to 25 percent of the vested premium tax credit in any taxable year of the certified investor with respect to credits earned through investments made under Program Three, beginning with the tax report due March 1, 2015, for the 2014 tax year. The bill prohibits the credit from being applied to estimated payments due in 2014.

H.B. 1582 provides that the provisions of the bill prevail to the extent of any conflict over another act of the 81st Legislature, Regular Session, 2009, relating to nonsubstantive additions to and corrections in enacted codes.

H.B. 1582 repeals the following:

- Section 1, Chapter 303 (H.B. 1741), Acts of the 80th Legislature, Regular Session, 2007, which amended former Article 4.51, Insurance Code, by adding Subdivisions (16), (17), and (18)
- Section 6, Chapter 303 (H.B. 1741), Acts of the 80th Legislature, Regular Session, 2007, which amended former Article 4.66(a), Insurance Code
- Section 7, Chapter 303 (H.B. 1741), Acts of the 80th Legislature, Regular Session, 2007, which amended former Article 4.67, Insurance Code
- Section 8, Chapter 303 (H.B. 1741), Acts of the 80th Legislature, Regular Session, 2007, which amended former Articles 4.68(a), (b), (c), and (e), Insurance Code

EFFECTIVE DATE

September 1, 2009.