

Amend **HB 268** (house committee report) by inserting the following appropriately numbered SECTIONS to the bill and renumbering subsequent SECTIONS of the bill accordingly:

SECTION _____. Chapter 325, Government Code, is amended by adding Section 325.023 to read as follows:

Sec. 325.023. EVALUATION OF EXEMPTIONS FROM CERTAIN STATE TAXES. (a) In this section, "exemption" includes an exemption that is provided by the manner in which a term is defined in Subchapter A, Chapter 151, Tax Code.

(b) The commission shall periodically evaluate the exemptions provided by Sections 151.316, 151.3162, and 152.091 from the taxes imposed by Chapters 151 and 152.

(c) The commission shall conduct the evaluation required by Subsection (b) according to a schedule that the commission adopts. The schedule must provide for the commission to evaluate each tax exemption at an interval not to exceed six years. The commission shall provide the schedule to the governor, lieutenant governor, speaker of the house of representatives, and presiding officers of the senate finance committee and the house ways and means committee.

(d) The commission's evaluation of the tax exemption must:

(1) include an evaluation of the exemption's effect on:

(A) revenue received from taxes imposed by the chapter providing the exemption;

(B) the entities that receive the exemption;

(C) sales of property, goods, and services made in this state, where applicable; and

(D) economic investment and growth in this state;

(2) take into account any other factors the commission considers relevant in evaluating the exemption;

(3) consider whether retaining the exemption is in the best interest of the public; and

(4) make recommendations for retaining or repealing the exemption, or for amending a provision related to the exemption.

(e) At each regular legislative session, the commission

shall present to the legislature and the governor a report on the evaluation and recommendations it makes under Subsection (d). The report must include drafts of any legislation needed to carry out the commission's recommendations under that subsection.

(f) The evaluation described by this section does not apply to a tax exemption that is:

(1) explicitly provided by the constitution of this state; or

(2) for an item or service that this state is unable to tax under the United States Constitution or federal law.

SECTION _____. Subchapter C, Chapter 11, Tax Code, is amended by adding Section 11.49 to read as follows:

Sec. 11.49. SUNSET PROVISION FOR CERTAIN EXEMPTIONS FROM STATE TAXES. (a) In this section, "exemption" means an exemption that is provided by the manner in which a term is defined in Subchapter A, Chapter 151.

(b) The exemptions provided by Section 151.316, 151.3162, and 152.091 from the taxes imposed by Chapters 151 and 152 are subject to periodic evaluation by the Sunset Advisory Commission under Section 325.023, Government Code, according to a schedule that the commission adopts under that section.

(c) A tax exemption that is the subject of a Sunset Advisory Commission evaluation under Section 325.023, Government Code, and a section or part of a section that provides the exemption are repealed on December 31 of the year in which the commission presents its evaluation to the legislature unless the legislature retains the exemption.

(d) This section does not prohibit the legislature from repealing an exemption provided by Section 151.316, 151.3162, or 152.091 at a date earlier than the date provided by this section.

(e) The evaluation described by Subsection (b) and the repeal described by Subsection (c) do not apply to a tax exemption for an item or service that this state is unable to tax under the United States Constitution or federal law.

SECTION _____. The Sunset Advisory Commission shall adopt a schedule for evaluating exemptions from state taxes as provided by Section 325.023, Government Code, as added by this Act, on or before

January 1, 2012.