

BILL ANALYSIS

C.S.H.B. 2580
By: Murphy
Economic & Small Business Development
Committee Report (Substituted)

BACKGROUND AND PURPOSE

The Texas Certified Capital Company (CAPCO) program was established to stimulate economic development with a focus on small and emerging businesses located throughout Texas. Interested parties note that legislation is needed to establish CAPCO Program Three to target Texas-based small businesses for investment, with an emphasis on underserved businesses in early stages of development and in low-income and rural areas. The parties note that such a program would be funded by the securitization of insurance premium tax credits, which are granted only after an investment is made in a CAPCO fund and which may be redeemed at a specified maximum rate. Interested parties estimate that at the current rate of investment of CAPCO Programs One and Two already authorized by the legislature, CAPCO Program Three will be fully invested by approximately 2012. C.S.H.B. 2580 provides for Program Three to begin on a date that will provide time for the comptroller of public accounts time to implement the program and for certified investors to file premium tax credit allocation claims with the comptroller. The bill seeks to ensure continuity in the program so that investment continues in Texas' small businesses.

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

C.S.H.B. 2580 amends the Insurance Code to establish Program Three of the Texas Certified Capital Company program, for purposes of provisions of law relating to the premium tax credit for certain investments, as the program for allocation and investment of certified capital on or after January 1, 2011. The bill authorizes a certified investor, with respect to credits earned as a result of investments made under Program Three, beginning with the tax report due March 1, 2017, for the 2016 tax year, to take up to 25 percent of the vested premium tax credit in any taxable year of the certified investor. The bill prohibits the credit from being applied to estimated payments due in 2016.

C.S.H.B. 2580 includes premium tax credit allocation claims with respect to Program Three in provisions of law relating to premium tax credit allocation claims requirements and sets the total amount of certified capital for which premium tax credits may be allowed for all years in which premium tax credits are allowed for Program Three at \$200 million. The bill caps the total amount of certified capital for which premium tax credits may be allowed for all certified investors at the amount that would entitle all certified investors in certified capital companies to take total credits of \$50 million in a year with respect to Program Three. The bill prohibits a certified capital company and the company's affiliates from filing premium tax credit allocation claims with respect to Program Three in excess of the maximum amount of certified capital for which premium tax credits may be allowed for that program. The bill makes conforming changes in provisions of law relating to the allocation of premium tax credit. The bill defines "Program Three" and redefines "Program Two" to make a conforming change.

EFFECTIVE DATE

September 1, 2011.

COMPARISON OF ORIGINAL AND SUBSTITUTE

C.S.H.B. 2580 differs from the original by establishing Program Three of the Texas Certified Capital Company (CAPCO) program as the program for allocation and investment of certified capital on or after January 1, 2011, and making a conforming change to the definition of Program Two relating to that date, whereas the original establishes Program Three as the program for allocation and investment of certified capital on or after January 1, 2012, and makes a conforming change to the definition of Program Two relating to that date.

C.S.H.B. 2580 omits a temporary provision contained in the original relating to the deadline for the comptroller of public accounts to accept premium tax allocation claims with respect to Program Three.