

Amend CSHB 500 (house committee printing) by adding the following appropriately numbered SECTION to the bill and renumbering subsequent SECTIONS of the bill accordingly:

SECTION \_\_\_\_\_. Chapter 171, Tax Code, is amended by adding Subchapters P-1 and Q-2 to read as follows:

SUBCHAPTER P-1. TAX CREDITS FOR CERTAIN

JOB CREATION ACTIVITIES

Sec. 171.771. DEFINITIONS. In this subchapter:

(1) "Agricultural processing" means an establishment primarily engaged in activities described in categories 0724, 2011-2099, 2211, 2231, 2824, 2833, 2834, 2835, 2836, 2841, 3111-3199, 3262, or 3952, in product classes 28692 or 28698 of category 2869, or in product classes 28992 or 28994 of category 2899 of the 1987 Standard Industrial Classification Manual published by the United States Department of Labor.

(2) "Central administrative offices" means an establishment primarily engaged in performing management or support services for other establishments of the same enterprise. An enterprise consists of all establishments having more than 50 percent common direct or indirect ownership.

(3) "Data processing" means an establishment primarily engaged in activities described in categories 7371-7379 of the 1987 Standard Industrial Classification Manual published by the United States Department of Labor.

(4) "Distribution" means an establishment primarily engaged in activities described in categories 5012-5199 of the 1987 Standard Industrial Classification Manual published by the United States Department of Labor.

(5) "Group health benefit plan" means:

(A) a health plan provided by a health maintenance organization established 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.).

(6) "Manufacturing" means an establishment primarily engaged in activities described in categories 2011-3999 of the 1987 Standard Industrial Classification Manual published by the United States Department of Labor.

(7) "Qualified business" means an establishment primarily engaged in agricultural processing, central administrative offices, distribution, data processing, manufacturing, research and development, or warehousing.

(8) "Qualifying job" means a new permanent full-time job that:

(A) pays an annual wage of at least \$50,000, subject to Section 171.772;

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

(C) is not created to replace a previous employee.

(9) "Research and development" means an establishment primarily engaged in activities described in category 8731 of the 1987 Standard Industrial Classification Manual published by the United States Department of Labor.

(10) "Warehousing" means an establishment primarily engaged in activities described in categories 4221-4226 of the 1987 Standard Industrial Classification Manual published by the United States Department of Labor.

Sec. 171.772. BIENNIAL ADJUSTMENT OF WAGE FOR QUALIFYING JOB. (a) In this section, "consumer price index" means the average over a state fiscal biennium of the Consumer Price Index for All Urban Consumers (CPI-U), U.S. City Average, published monthly by the United States Bureau of Labor Statistics, or its successor in function.

(b) Beginning in 2016, on January 1 of each even-numbered year, the wage amount prescribed by Section 171.771(8) is increased or decreased by an amount equal to the amount prescribed by that section on December 31 of the preceding year multiplied by the percentage increase or decrease during the preceding state fiscal

biennium in the consumer price index and rounded to the nearest dollar.

(c) The amount determined under Subsection (b) applies to a report originally due on or after the date the determination is made.

(d) The comptroller shall make the determination required by this section and may adopt rules related to making that determination.

(e) A determination by the comptroller under this section is final and may not be appealed.

Sec. 171.773. ELIGIBILITY. A taxable entity is eligible for a credit against the tax imposed under this chapter if the taxable entity:

(1) is a qualified business; and

(2) creates a minimum of 10 qualifying jobs.

Sec. 171.774. AMOUNT OF CREDIT. A taxable entity may establish a credit equal to 25 percent of the total wages paid by the taxable entity for each qualifying job during each of the first 12 months of employment of the person hired to perform the job that occur during the period on which the report is based.

Sec. 171.775. LENGTH OF CREDIT. The credit established shall be claimed in five equal installments of one-fifth the credit amount over the five consecutive reports beginning with the report based on the period during which the qualifying jobs were created.

Sec. 171.776. LIMITATIONS. (a) The total credit claimed under this subchapter for a report, including the amount of any carryforward credit under Section 171.777, may not exceed 50 percent of the amount of franchise tax due for the report before any other applicable tax credits.

(b) The total credit claimed under this subchapter and Subchapter Q-2 for a report, including the amount of any carryforward credits, may not exceed the amount of franchise tax due for the report after any other applicable credits.

Sec. 171.777. CARRYFORWARD. (a) If a taxable entity is eligible for a credit that exceeds the limitations under Section 171.776, the taxable entity may carry the unused credit forward for not more than five consecutive reports.

(b) A carryforward is considered the remaining portion of an installment that cannot be claimed in the current year because of a limitation under Section 171.776. A carryforward is added to the next year's installment of the credit in determining the limitation for that year. A credit carryforward from a previous report is considered to be used before the current year installment.

Sec. 171.778. CERTIFICATION OF ELIGIBILITY. (a) For the initial and each succeeding report on which a credit is claimed under this subchapter, the taxable entity shall file with its report, on a form provided by the comptroller, information that sufficiently demonstrates that the taxable entity is eligible for the credit.

(b) The burden of establishing entitlement to and the value of the credit is on the taxable entity.

(c) A credit expires under this subchapter and the taxable entity may not take any remaining installment of the credit if in one of the five years in which the installment of a credit accrues, the taxable entity fails to maintain the minimum number of qualifying jobs required to be created by Section 171.773.

(d) Notwithstanding Subsection (c), the taxable entity may take the portion of an installment that accrued in a previous year and was carried forward to the extent permitted under Section 171.777.

Sec. 171.779. ASSIGNMENT PROHIBITED. A taxable entity may not convey, assign, or transfer the credit allowed under this subchapter to another entity unless all of the assets of the taxable entity are conveyed, assigned, or transferred in the same transaction.

Sec. 171.780. BIENNIAL REPORT BY COMPTROLLER. (a) Before the beginning of each regular session of the legislature, the comptroller shall submit to the governor, the lieutenant governor, and the speaker of the house of representatives a report that states:

(1) the total number of jobs created by taxable entities that claim a credit under this subchapter and the average and median annual wage of those jobs;

(2) the total amount of credits applied against the

tax under this chapter and the amount of unused credits including:

(A) the total amount of franchise tax due by taxable entities claiming a credit under this subchapter before and after the application of the credit;

(B) the average percentage reduction in franchise tax due by taxable entities claiming a credit under this subchapter; and

(C) the percentage of tax credits that were awarded to taxable entities with fewer than 100 employees;

(3) the two-digit standard industrial classification of businesses claiming a credit under this subchapter;

(4) the geographical distribution of the credits claimed under this subchapter; and

(5) the effect of the credit provided under this subchapter on employment, personal income, and capital investment in this state and on state tax revenues.

(b) The final report issued before the expiration of this subchapter must include historical information on the credit authorized under this subchapter.

(c) The comptroller may not include in the report information that is confidential by law.

(d) For purposes of this section, the comptroller may require a taxable entity that claims a credit under this subchapter to submit information, on a form provided by the comptroller, on the location of the taxable entity's job creation in this state and any other information necessary to complete the report required under this section.

(e) The comptroller shall provide notice to the members of the legislature that the report required under this section is available on request.

Sec. 171.781. COMPTROLLER POWERS AND DUTIES. The comptroller shall adopt rules and forms necessary to implement this subchapter.

Sec. 171.782. EXPIRATION. (a) This subchapter expires December 31, 2025.

(b) The expiration of this subchapter does not affect the carryforward of a credit under Section 171.777 or those credits for

which a taxable entity is eligible before the date this subchapter expires.

SUBCHAPTER Q-2. TAX CREDITS FOR CERTAIN CAPITAL INVESTMENTS

Sec. 171.821. DEFINITIONS. In this subchapter:

(1) "Agricultural processing" and "qualified business" have the meanings assigned those terms by Section 171.771.

(2) "Qualified capital investment" means tangible personal property first placed in service in this state by a taxable entity primarily engaged in agricultural processing, and that is described in Section 1245(a), Internal Revenue Code, such as engines, machinery, tools, and implements used in a trade or business or held for investment and subject to an allowance for depreciation, cost recovery under the accelerated cost recovery system, or amortization. The term does not include real property or buildings and their structural components. Property that is leased under a capitalized lease is considered a "qualified capital investment," but property that is leased under an operating lease is not considered a "qualified capital investment." Property expensed under Section 179, Internal Revenue Code, is not considered a "qualified capital investment."

Sec. 171.822. ELIGIBILITY. (a) A qualified business is eligible for a credit against the tax imposed under this chapter in the amount and under the conditions and limitations provided by this subchapter.

(b) To qualify for the credit authorized under this subchapter, a qualified business must:

(1) pay an annual wage of at least the amount required for a qualifying job as defined by Section 171.771 for the period on which the report is based;

(2) offer health benefits coverage to all full-time employees at the location with respect to which the credit is claimed through a group health benefit plan, as defined by Section 171.771, for which the business pays at least 80 percent of the premiums or other charges assessed under the plan for the employees; and

(3) make a minimum \$500,000 qualified capital

investment.

Sec. 171.823. AMOUNT OF CREDIT. A taxable entity may establish a credit equal to 7.5 percent of the qualified capital investment during the period on which the report is based.

Sec. 171.824. LENGTH OF CREDIT. The credit established shall be claimed in five equal installments of one-fifth the credit amount over the five consecutive reports beginning with the report based on the period during which the qualified capital investment was made.

Sec. 171.825. LIMITATIONS. (a) The total credit claimed under this subchapter for a report, including the amount of any carryforward credit under Section 171.826, may not exceed 50 percent of the amount of franchise tax due for the report before any other applicable tax credits.

(b) The total credit claimed under this subchapter and Subchapter P-1 for a report, including the amount of any carryforward credits, may not exceed the amount of franchise tax due for the report after any other applicable tax credits.

Sec. 171.826. CARRYFORWARD. (a) If a taxable entity is eligible for a credit from an installment that exceeds the limitation under Section 171.825, the taxable entity may carry the unused credit forward for not more than five consecutive reports.

(b) A carryforward is considered the remaining portion of an installment that cannot be claimed in the current year because of a limitation under Section 171.825. A carryforward is added to the next year's installment of the credit in determining the limitation for that year. A credit carryforward from a previous report is considered to be used before the current year installment.

Sec. 171.827. CERTIFICATION OF ELIGIBILITY. (a) For the initial and each succeeding report on which a credit is claimed under this subchapter, the taxable entity shall file with its report, on a form provided by the comptroller, information that sufficiently demonstrates that the taxable entity is eligible for the credit.

(b) The burden of establishing entitlement to and the value of the credit is on the taxable entity.

(c) A credit expires under this subchapter and the taxable

entity may not take any remaining installment of the credit if in one of the five years in which the installment of a credit accrues, the taxable entity:

- (1) disposes of the qualified capital investment;
- (2) takes the qualified capital investment out of service;
- (3) moves the qualified capital investment out of this state; or
- (4) fails to pay the annual wage required for a qualifying job under Section 171.771 for the period covered by the report on which the taxable entity would otherwise claim the credit.

(d) Notwithstanding Subsection (c), the taxable entity may take the portion of an installment that accrued in a previous year and was carried forward to the extent permitted under Section 171.826.

Sec. 171.828. ASSIGNMENT PROHIBITED. A taxable entity may not convey, assign, or transfer the credit allowed under this subchapter to another entity unless all of the assets of the taxable entity are conveyed, assigned, or transferred in the same transaction.

Sec. 171.829. BIENNIAL REPORT BY COMPTROLLER. (a) Before the beginning of each regular session of the legislature, the comptroller shall submit to the governor, the lieutenant governor, and the speaker of the house of representatives a report that states:

(1) the total amount of qualified capital investments made by taxable entities that claim a credit under this subchapter and the average and median wages paid by those taxable entities;

(2) the total amount of credits applied against the tax under this chapter and the amount of unused credits, including:

(A) the total amount of franchise tax due by taxable entities claiming a credit under this subchapter before and after the application of the credit;

(B) the average percentage reduction in franchise tax due by taxable entities claiming a credit under this subchapter;



(C) the percentage of tax credits that were awarded to taxable entities with fewer than 100 employees; and

(D) the two-digit standard industrial classification of taxable entities claiming a credit under this subchapter;

(3) the geographical distribution of the qualified capital investments on which tax credit claims are made under this subchapter; and

(4) the effect of the credit provided under this subchapter on employment, personal income, and capital investment in this state and on state tax revenues.

(b) The final report issued before the expiration of this subchapter must include historical information on the credit authorized under this subchapter.

(c) The comptroller may not include in the report information that is confidential by law.

(d) For purposes of this section, the comptroller may require a taxable entity that claims a credit under this subchapter to submit information, on a form provided by the comptroller, on the location of the taxable entity's capital investment in this state and any other information necessary to complete the report required under this section.

(e) The comptroller shall provide notice to the members of the legislature that the report required under this section is available on request.

Sec. 171.830. COMPTROLLER POWERS AND DUTIES. The comptroller shall adopt rules and forms necessary to implement this subchapter.

Sec. 171.831. EXPIRATION. (a) This subchapter expires December 31, 2025.

(b) The expiration of this subchapter does not affect the carryforward of a credit under Section 171.826 or those credits for which a taxable entity is eligible before the date this subchapter expires.