



13 MAY -6 AM 7:55

HOUSE OF REPRESENTATIVES

FLOOR AMENDMENT NO. _____

BY: _____

1 Amend C.S.H.B. No. 500 (House committee printing) by adding
2 the following appropriately numbered SECTION to the bill and
3 renumbering subsequent SECTIONS of the bill accordingly:

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

6 SUBCHAPTER P-1. TAX CREDITS FOR CERTAIN

7 JOB CREATION ACTIVITIES

8 Sec. 171.771. DEFINITIONS. In this subchapter:

9 (1) "Agricultural processing" means an establishment
10 primarily engaged in activities described in categories 0724,
11 2011-2099, 2211, 2231, 2824, 2833, 2834, 2835, 2836, 2841,
12 3111-3199, 3262, or 3952, in product classes 28692 or 28698 of
13 category 2869, or in product classes 28992 or 28994 of category 2899
14 of the 1987 Standard Industrial Classification Manual published by
15 the United States Department of Labor.

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

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

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

29 (5) "Group health benefit plan" means:

1 (A) a health plan provided by a health
2 maintenance organization established under Chapter 843, Insurance
3 Code;

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

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

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

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

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

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

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

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

27 (9) "Research and development" means an establishment
28 primarily engaged in activities described in category 8731 of the
29 1987 Standard Industrial Classification Manual published by the
30 United States Department of Labor.

31 (10) "Warehousing" means an establishment primarily

1 engaged in activities described in categories 4221-4226 of the 1987
2 Standard Industrial Classification Manual published by the United
3 States Department of Labor.

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

10 (b) Beginning in 2016, on January 1 of each even-numbered
11 year, the wage amount prescribed by Section 171.771(8) is increased
12 or decreased by an amount equal to the amount prescribed by that
13 section on December 31 of the preceding year multiplied by the
14 percentage increase or decrease during the preceding state fiscal
15 biennium in the consumer price index and rounded to the nearest
16 dollar.

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

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

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

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

28 (1) is a qualified business; and

29 (2) creates a minimum of 10 qualifying jobs.

30 Sec. 171.774. AMOUNT OF CREDIT. A taxable entity may
31 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

1 the credit.

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

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

9 (d) Notwithstanding Subsection (c), the taxable entity may
10 take the portion of an installment that accrued in a previous year
11 and was carried forward to the extent permitted under Section
12 171.777.

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

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

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

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

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

31 (B) the average percentage reduction in

1 franchise tax due by taxable entities claiming a credit under this
2 subchapter; and

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

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

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

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

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

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

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

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

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

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

31 (b) The expiration of this subchapter does not affect the

1 carryforward of a credit under Section 171.777 or those credits for
2 which a taxable entity is eligible before the date this subchapter
3 expires.

4 SUBCHAPTER Q-2. TAX CREDITS FOR CERTAIN CAPITAL INVESTMENTS

5 Sec. 171.821. DEFINITIONS. In this subchapter:

6 (1) "Agricultural processing" and "qualified
7 business" have the meanings assigned those terms by Section
8 171.771.

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

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

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

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

1 (2) offer health benefits coverage to all full-time
2 employees at the location with respect to which the credit is
3 claimed through a group health benefit plan, as defined by Section
4 171.771, for which the business pays at least 80 percent of the
5 premiums or other charges assessed under the plan for the
6 employees; and

7 (3) make a minimum \$500,000 qualified capital
8 investment.

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

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

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

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

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

30 (b) A carryforward is considered the remaining portion of an
31 installment that cannot be claimed in the current year because of a

1 limitation under Section 171.825. A carryforward is added to the
2 next year's installment of the credit in determining the limitation
3 for that year. A credit carryforward from a previous report is
4 considered to be used before the current year installment.

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

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

13 (c) A credit expires under this subchapter and the taxable
14 entity may not take any remaining installment of the credit if in
15 one of the five years in which the installment of a credit accrues,
16 the taxable entity:

17 (1) disposes of the qualified capital investment;
18 (2) takes the qualified capital investment out of
19 service;

20 (3) moves the qualified capital investment out of this
21 state; or

22 (4) fails to pay the annual wage required for a
23 qualifying job under Section 171.771 for the period covered by the
24 report on which the taxable entity would otherwise claim the
25 credit.

26 (d) Notwithstanding Subsection (c), the taxable entity may
27 take the portion of an installment that accrued in a previous year
28 and was carried forward to the extent permitted under Section
29 171.826.

30 Sec. 171.828. ASSIGNMENT PROHIBITED. A taxable entity may
31 not convey, assign, or transfer the credit allowed under this

1 subchapter to another entity unless all of the assets of the taxable
2 entity are conveyed, assigned, or transferred in the same
3 transaction.

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

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

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

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

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

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

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

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

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

31 (b) The final report issued before the expiration of this

1 subchapter must include historical information on the credit
2 authorized under this subchapter.

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

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

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

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

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

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

