

BILL ANALYSIS

H.B. 953

By: Button

Economic & Small Business Development
Committee Report (Unamended)

BACKGROUND AND PURPOSE

Companies conduct research and development activities with the intent of making discoveries that lead to the development of new or improved products and procedures, and industry observers note that companies engaged in these activities often experience growth. Currently, Texas is one of the few states that do not offer a research and development tax incentive.

Although universities and industry have had a long history of collaboration, interested parties note that the rise of a global knowledge economy has intensified the need for such strategic partnerships. When companies and universities work in tandem to push the frontiers of knowledge, they become a powerful engine for innovation and economic growth. H.B. 953 seeks to foster such partnerships by offering companies a franchise tax credit for research and development activities performed in conjunction with Texas institutions of higher education.

RULEMAKING AUTHORITY

It is the committee's opinion that rulemaking authority is expressly granted to the comptroller of public accounts in SECTION 1 of this bill.

ANALYSIS

H.B. 953 amends the Tax Code to make a taxable entity that contracts with one or more public or private institutions of higher education for the performance of qualified research, as defined by the federal Internal Revenue Code and conducted in Texas, eligible for a franchise tax credit in an amount for any tax report equal to 20 percent of the difference between the total amount of qualified research expenses, as defined by the federal Internal Revenue Code, incurred in Texas by the taxable entity under applicable contracts during the period on which the report is based and 50 percent of the average amount of such expenses during the three tax years preceding that reporting period. The bill places the burden of establishing entitlement to and the value of the credit on the taxable entity.

H.B. 953 caps the total credit claimed for a report, including the amount of any carryforward credit, at 50 percent of the amount of franchise tax due for the report before any other applicable tax credits and authorizes a taxable entity eligible for a credit that exceeds that cap to carry the unused credit forward for not more than 20 consecutive reports. The bill clarifies that a credit carryforward from a previous report is considered to be used before the current year credit.

H.B. 953 prohibits a taxable entity from conveying, assigning, or transferring the franchise tax credit to another entity unless all of the assets of the taxable entity are conveyed, assigned, or transferred in the same transaction and requires a taxable entity to apply for the credit on or with the tax report for the period for which the credit is claimed. The bill requires the comptroller of public accounts to adopt rules necessary to implement the bill's provisions regarding the tax credit performed in conjunction with Texas institutions of higher education.

EFFECTIVE DATE

January 1, 2014.