

BILL ANALYSIS

H.B. 2684
By: Button
Ways & Means
Committee Report (Unamended)

BACKGROUND AND PURPOSE

Current law authorizes political subdivisions to join with each other to form a political subdivision corporation to negotiate the purchase of electricity for use in their respective public facilities. Interested parties assert that these corporations are not engaged in any transaction generating business revenue for the corporation, have no profits, and so do not pay franchise taxes, but nevertheless are required to file franchise tax reports because current law does not provide an express franchise tax exemption for such corporations. Many entities similar in nature or function to these corporations, such as electric cooperatives, municipal water or sewer corporations, housing finance or economic development corporations, and certain nonprofit corporations formed to promote the public interest of a county or city, and others are exempt from the franchise tax and therefore from the requirement to file franchise tax reports. H.B. 2684 seeks to address the unfairness of this situation by providing a franchise tax exemption for certain political subdivision corporations formed by two or more political subdivisions to negotiate the purchase of electricity on their behalf.

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

H.B. 2684 amends the Tax Code to exempt from the franchise tax a political subdivision corporation formed by two or more political subdivisions to act as an agent to negotiate the purchase of electricity, or to likewise aid or act on those political subdivisions' behalf, with respect to their own electricity use for their respective facilities.

EFFECTIVE DATE

January 1, 2014.