

By: Villarreal

H.B. No. 1556

A BILL TO BE ENTITLED

AN ACT

relating to a periodic review of state and local tax preferences.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF TEXAS:

SECTION 1. Subtitle B, Title 3, Government Code, is amended by adding Chapter 320A to read as follows:

CHAPTER 320A. REVIEW OF STATE AND LOCAL TAX PREFERENCES

SUBCHAPTER A. GENERAL PROVISIONS

Sec. 320A.001. DEFINITIONS. In this chapter:

(1) "Commission" means the select commission on periodic tax preference review.

(2) "Tax preference" means a credit, discount, exclusion, exemption, refund, special valuation, special accounting treatment, special rate, or special method of reporting authorized by state law that relates to a state or local tax imposed in this state.

SUBCHAPTER B. SCHEDULE FOR PERIODIC REVIEW

OF STATE AND LOCAL TAX PREFERENCES

Sec. 320A.051. SELECT COMMISSION ON PERIODIC TAX PREFERENCE REVIEW. The select commission on periodic tax preference review is composed of:

(1) three members of the house of representatives, appointed by the speaker of the house of representatives;

(2) three members of the senate, appointed by the lieutenant governor;

1           (3) eight public members representing the geographic  
2 and cultural diversity of this state, composed of the following:

3           (A) four members appointed by the lieutenant  
4 governor, of which one is a representative of the business  
5 community in this state; and

6           (B) four members appointed by the speaker of the  
7 house of representatives, of which one is a representative of the  
8 business community in this state and one is a representative of an  
9 organization that advocates for public policies that benefit  
10 low- and moderate-income families in this state; and

11           (4) the comptroller.

12           Sec. 320A.052. TERMS. The members of the commission serve  
13 two-year terms that expire December 31 of each even-numbered year.

14           Sec. 320A.053. VACANCY. If a vacancy occurs, the  
15 individual who originally appointed the vacating member or the  
16 individual's successor shall appoint an individual to fill the  
17 vacancy for the remainder of the unexpired term.

18           Sec. 320A.054. OFFICERS. (a) The speaker of the house of  
19 representatives shall select one member of the commission appointed  
20 under Section 320A.051(1) to serve as chair of the commission.

21           (b) The lieutenant governor shall select one member of the  
22 commission appointed under Section 320A.051(2) to serve as vice  
23 chair of the commission.

24           Sec. 320A.055. MEETINGS. The commission shall meet at the  
25 call of the chair.

26           Sec. 320A.056. STAFF. On the commission's request, the  
27 Legislative Budget Board, the Texas Legislative Council, the office

1 of the governor, the comptroller, the senate, and the house of  
2 representatives shall provide staff as necessary to assist the  
3 commission in performing the commission's duties.

4 Sec. 320A.057. COOPERATION BY OTHER STATE ENTITIES. The  
5 commission may request assistance from the comptroller or any other  
6 state agency, department, or office if the commission needs  
7 assistance to perform the commission's duties. The comptroller or  
8 other agency, department, or office shall provide the requested  
9 assistance.

10 Sec. 320A.058. EXPENSES. The operating expenses of the  
11 commission shall be paid from the contingent expense funds of the  
12 senate and the house of representatives, as agreed by those  
13 entities. The commission members are entitled to reimbursement  
14 from those funds for expenses incurred by the members in  
15 implementing this chapter.

16 Sec. 320A.059. DEVELOPMENT AND BIENNIAL MODIFICATION OF  
17 STATE AND LOCAL TAX PREFERENCE REVIEW SCHEDULE. (a) The commission  
18 shall:

19 (1) identify each state tax preference and each type  
20 of local tax preference;

21 (2) develop a state and local tax preference review  
22 schedule under which each identified tax preference is reviewed  
23 once during each 10-year period; and

24 (3) specifically identify on the schedule:

25 (A) each of the tax preferences the Legislative  
26 Budget Board must review for purposes of the next report due under  
27 Section 320A.151;

1           (B) any tax preference described by Paragraph (A)  
2 that reduces by less than one-fourth of one percent the total  
3 revenue derived from the tax to which the tax preference applies and  
4 that the commission recommends for an abbreviated review by the  
5 Legislative Budget Board; and

6           (C) the components of the review specified by  
7 Section 320A.101 that the commission recommends are unnecessary  
8 with respect to a tax preference recommended for an abbreviated  
9 review.

10          (b) Except as provided in Subsection (c), in developing the  
11 schedule, the commission shall schedule the tax preferences for  
12 review in the order in which the tax preferences were enacted or  
13 authorized.

14          (c) In developing the schedule, the commission may:

15           (1) schedule for review at the same time all tax  
16 preferences authorized in the same chapter of the Tax Code; and

17           (2) schedule the initial review of a tax preference  
18 that has an expiration date for any date the commission determines  
19 is appropriate.

20          (d) The commission shall revise the schedule biennially  
21 only to:

22           (1) add to the schedule a tax preference that was  
23 enacted or authorized after the commission developed the most  
24 recent schedule;

25           (2) delete from the schedule a tax preference that was  
26 repealed after the commission developed the most recent schedule;

27           (3) update the review dates of the tax preferences for

1 which reviews were conducted after the commission developed the  
2 most recent schedule; and

3 (4) update the tax preferences identified under  
4 Subsection (a)(3).

5 Sec. 320A.060. PUBLIC COMMENT. The commission shall  
6 provide a process by which the public may comment on the state and  
7 local tax preference review schedule under Section 320A.059. The  
8 commission shall consider those comments in developing or revising  
9 the schedule.

10 Sec. 320A.061. SCHEDULE PROVIDED TO LEGISLATIVE BUDGET  
11 BOARD. Not later than December 1 of each odd-numbered year, the  
12 commission shall provide the state and local tax preference review  
13 schedule to the Legislative Budget Board.

14 SUBCHAPTER C. CONDUCT OF REVIEW OF STATE

15 AND LOCAL TAX PREFERENCES

16 Sec. 320A.101. PERIODIC REVIEW OF TAX PREFERENCES. The  
17 Legislative Budget Board shall periodically review each state tax  
18 preference and each type of local tax preference according to the  
19 state and local tax preference review schedule provided by the  
20 commission under Section 320A.061. In reviewing a tax preference,  
21 the board shall:

22 (1) determine the intended purpose of the tax  
23 preference; and

24 (2) evaluate:

25 (A) whether the tax preference accomplishes its  
26 intended purpose;

27 (B) whether the tax preference is inefficient,

1 ineffective, or unnecessary, or the intended purpose of the tax  
2 preference is a low priority for this state; and

3 (C) the effect of the tax preference on economic  
4 development, the number of high wage jobs, funding for public  
5 services, the distribution of the tax burden by income class and  
6 industry or business class, and total income by income class in this  
7 state.

8 Sec. 320A.102. COOPERATION BY OTHER STATE ENTITIES. The  
9 Legislative Budget Board may request assistance from the  
10 comptroller or any other state agency, department, or office if the  
11 board needs assistance to perform the review required by Section  
12 320A.101. The comptroller or other agency, department, or office  
13 shall provide the requested assistance.

14 SUBCHAPTER D. RECOMMENDATIONS REGARDING REVIEWED TAX PREFERENCES

15 Sec. 320A.151. PRELIMINARY REPORT. Not later than  
16 September 1 of each even-numbered year, the Legislative Budget  
17 Board shall provide to the commission a preliminary report on the  
18 reviews of tax preferences identified under Section  
19 320A.059(a)(3)(A). The report must include drafts of any proposed  
20 legislation needed to implement the board's recommendations.

21 Sec. 320A.152. FINAL REPORT. (a) The commission shall  
22 review and may modify the preliminary report and proposed  
23 legislation provided to the commission under Section 320A.151.

24 (b) Not later than December 1 of each even-numbered year,  
25 the commission shall provide to the governor and the presiding  
26 officers of the senate finance committee and the house ways and  
27 means committee a final report on the reviews of tax preferences

1 identified under Section 320A.059(a)(3)(A). The final report must  
2 include:

3 (1) as to each tax preference examined, whether the  
4 commission recommends:

5 (A) continuing the tax preference;

6 (B) amending a provision relating to the tax  
7 preference; or

8 (C) repealing the tax preference;

9 (2) a complete explanation of each of the commission's  
10 recommendations;

11 (3) proposed legislation necessary to implement the  
12 findings of the final report; and

13 (4) a description of any deviations from the  
14 preliminary report provided under Section 320A.151 that are made by  
15 the final report, and a description of the reasons for each  
16 deviation.

17 Sec. 320A.153. PUBLIC HEARING ON FINAL REPORT. The senate  
18 finance committee and the house ways and means committee shall hold  
19 a joint public hearing on the final report and proposed legislation  
20 provided under Section 320A.152.

21 SUBCHAPTER E. EXPIRATION OF TAX PREFERENCES

22 Sec. 320A.201. EXPIRATION; REQUIRED STATEMENT. (a) Each  
23 tax preference enacted by the legislature that becomes law on or  
24 after September 1, 2014:

25 (1) expires 10 years after the date the tax preference  
26 takes effect, unless the legislature provides for an earlier or  
27 later expiration date; and

1           (2) must include the following statement: "This tax  
2 preference expires 10 years after its effective date unless the  
3 legislature provides for an earlier or later expiration date."

4           (b) A tax preference to which Subsection (a) applies that  
5 does not include the statement required by Subsection (a)(2)  
6 expires as provided by Subsection (a)(1).

7           SECTION 2. The lieutenant governor and the speaker of the  
8 house of representatives shall appoint the initial members of the  
9 select commission on periodic tax preference review not later than  
10 October 1, 2013. Notwithstanding Section 320A.052, Government  
11 Code, as added by this Act, the terms of the initial members of the  
12 commission expire December 31, 2014.

13           SECTION 3. The select commission on periodic tax preference  
14 review shall:

15           (1) notwithstanding Section 320A.061, Government  
16 Code, as added by this Act, submit the initial state and local tax  
17 preference review schedule required under that section not later  
18 than January 15, 2014; and

19           (2) submit the initial final report required by  
20 Section 320A.152, Government Code, as added by this Act, not later  
21 than December 1, 2014.

22           SECTION 4. The Legislative Budget Board shall submit the  
23 initial preliminary report required by Section 320A.151,  
24 Government Code, as added by this Act, not later than September 1,  
25 2014.

26           SECTION 5. This Act takes effect immediately if it receives  
27 a vote of two-thirds of all the members elected to each house, as



H.B. No. 1556

1 provided by Section 39, Article III, Texas Constitution. If this  
2 Act does not receive the vote necessary for immediate effect, this  
3 Act takes effect September 1, 2013.