

House Bill 500
Senate Amendments
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SECTION 1. (a) Section 111.064, Tax Code, is amended by adding Subsection (g) to read as follows:

(g) For a refund of an amount paid under Chapter 171 that is claimed after December 31, 2015, and granted for a report period due on or after January 1, 2000, the rate of interest is the rate set in Section 111.060.

(b) This section takes effect January 1, 2016.

SECTION 2. Section 171.0001(12), Tax Code, is amended to read as follows:

(12) "Retail trade" means:

(A) the activities described in Division G of the 1987 Standard Industrial Classification Manual published by the federal Office of Management and Budget; ~~and~~

(B) apparel rental activities classified as Industry 5999 or 7299 of the 1987 Standard Industrial Classification Manual published by the federal Office of Management and Budget;

(C) the activities classified as Industry Group 753 of the 1987 Standard Industrial Classification Manual published by the federal Office of Management and Budget; and

(D) rental-purchase agreement activities regulated by Chapter 92, Business & Commerce Code.

SECTION 3. Section 171.002, Tax Code, is amended by amending Subsection (a) and adding Subsection (c-2) to read as follows:

(a) Subject to Sections 171.003 and 171.1016 and except as provided by Subsection (b), the rate of the franchise tax is:

(1) one percent of taxable margin; or

(2) for a taxable entity that elects to subtract compensation under Section 171.1013 for the purpose of computing its taxable margin, 0.95 percent of taxable margin.

(c-2) Subsection (c)(2) does not apply to total revenue from

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No equivalent provision.

No equivalent provision.

No equivalent provision.

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activities in a trade that rents or leases tangible personal property as described by Industry Group 735 of the Standard Industrial Classification Manual published by the United States Department of Labor.

No equivalent provision.

SECTION 4. Section 171.006(b), Tax Code, is amended to read as follows:

(b) Beginning in 2010, on January 1 of each even-numbered year, the amounts prescribed by Sections 171.002(d)(2) [~~171.0021,~~] and 171.1013(c) are increased or decreased by an amount equal to the amount prescribed by those sections 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 \$10,000.

SECTION 5. Section 171.052(a), Tax Code, is amended to

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SECTION 1. Subchapter A, Chapter 171, Tax Code, is amended by adding Section 171.0022 to read as follows:

Sec. 171.0022. TEMPORARY PERMISSIVE ALTERNATE RATES. (a) Notwithstanding Section 171.002(a) and subject to Section 171.1016 and Subsection (b) of this section, a taxable entity may elect to pay the tax imposed under this chapter at a rate of 0.95 percent of taxable margin.

(b) Notwithstanding Section 171.002(b) and subject to Section 171.1016, a taxable entity primarily engaged in retail or wholesale trade as defined by Sections 171.002(c) and (c-1) may elect to pay the tax imposed under this chapter at a rate of 0.475 percent of taxable margin.

(c) This section applies only to a report originally due on or after January 1, 2014, and before January 1, 2016.

(d) This section expires December 31, 2015.

SECTION 5. Substantially the same as House version.

No equivalent provision.

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read as follows:

(a) Except as provided by Subsection (c), an insurance organization, title insurance company, or title insurance agent authorized to engage in insurance business in this state that is [now] required to pay an annual tax [under Chapter 4 or 9, Insurance Code,] measured by its gross premium receipts is exempted from the franchise tax. A nonadmitted insurance organization that is required to pay a gross premium receipts tax during a tax year is exempted from the franchise tax for that same tax year. A nonadmitted insurance organization that is subject to an occupation tax or any other tax that is imposed for the privilege of doing business in another state or a foreign jurisdiction, including a tax on gross premium receipts, is exempted from the franchise tax.

No equivalent provision.

SECTION 6. Sections 171.101(a) and (b), Tax Code, are amended to read as follows:

- (a) The taxable margin of a taxable entity is computed by:
- (1) determining the taxable entity's margin, which is the lesser of:
 - (A) the amount provided by this paragraph, which is the lesser of:
 - (i) 70 percent of the taxable entity's total revenue from its entire business, as determined under Section 171.1011; or
 - (ii) an amount equal to the taxable entity's total revenue from its entire business as determined under Section 171.1011

SECTION __. Subchapter B, Chapter 171, Tax Code, is amended by adding Section 171.086 to read as follows:
Sec. 171.086. EXEMPTION: POLITICAL SUBDIVISION CORPORATION. A political subdivision corporation formed under Section 304.001, Local Government Code, is exempted from the franchise tax. [FA4]

No equivalent provision.

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minus \$1 million; or

(B) an amount computed by[~~±~~

~~(i)~~ determining the taxable entity's total revenue from its entire business[~~±~~] under Section 171.1011 and [~~±~~

~~(ii)~~ subtracting the greater of:

(i) \$1 million; or

(ii) an amount equal to:

(a) [~~±~~] at the election of the taxable entity, either:

(1) [~~(a)~~] cost of goods sold, as determined under Section 171.1012; or

(2) [~~(b)~~] compensation, as determined under Section 171.1013; and

(b) any [~~(iii) subtracting, in addition to any subtractions made under Subparagraph (ii)(a) or (b),~~] compensation, as determined under Section 171.1013, paid to an individual during the period the individual is serving on active duty as a member of the armed forces of the United States if the individual is a resident of this state at the time the individual is ordered to active duty and the cost of training a replacement for the individual;

(2) apportioning the taxable entity's margin to this state as provided by Section 171.106 to determine the taxable entity's apportioned margin; and

(3) subtracting from the amount computed under Subdivision (2) any other allowable deductions to determine the taxable entity's taxable margin.

(b) Notwithstanding Subsection (a)(1)(B)(ii)(a) [~~(a)(1)(B)(ii)~~], a staff leasing services company may subtract only the greater of \$1 million as provided by Subsection (a)(1)(B)(i) or compensation as determined under Section 171.1013.

SECTION 7. Section 171.1011, Tax Code, is amended by

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amending Subsections (g) and (g-4) and adding Subsections (g-8), (g-9), (g-10), (g-11), (u), (v), (w-1), (x), and (y) to read as follows:

(g) A taxable entity shall exclude from its total revenue, to the extent included under Subsection (c)(1)(A), (c)(2)(A), or (c)(3), only the following flow-through funds that are mandated by contract or subcontract to be distributed to other entities:

(1) sales commissions to nonemployees, including split-fee real estate commissions;

(2) the tax basis as determined under the Internal Revenue Code of securities underwritten; and

(3) subcontracting payments made under a contract or subcontract entered into ~~handled~~ by the taxable entity to provide services, labor, or materials in connection with the actual or proposed design, construction, remodeling, remediation, or repair of improvements on real property or the location of the boundaries of real property.

(g-4) A taxable entity that is a pharmacy cooperative shall exclude from its total revenue, to the extent included under Subsection (c)(1)(A), (c)(2)(A), or (c)(3), flow-through funds from rebates from pharmacy wholesalers that are distributed to the pharmacy cooperative's shareholders. A taxable entity that provides a pharmacy network shall exclude from its total revenue, to the extent included under Subsection (c)(1)(A), (c)(2)(A), or (c)(3), flow-through funds from rebates from pharmacy wholesalers that are distributed to pharmacies in the pharmacy network and flow-through funds from reimbursements for payments to pharmacies in the pharmacy network.

(g-8) A taxable entity that is primarily engaged in the business of transporting aggregates shall exclude from its total revenue, to the extent included under Subsection (c)(1)(A),

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(c)(2)(A), or (c)(3), subcontracting payments made by the taxable entity to nonemployee agents for the performance of delivery services on behalf of the taxable entity. In this subsection, "aggregates" means any commonly recognized construction material removed or extracted from the earth, including dimension stone, crushed and broken limestone, crushed and broken granite, other crushed and broken stone, construction sand and gravel, industrial sand, dirt, soil, cementitious material, and caliche.

(g-9) A taxable entity that is a landlord of commercial property shall exclude from its total revenue, to the extent included under Subsection (c)(1)(A), (2)(A), or (3), payments, excluding expenses for interest and depreciation and other expenses not listed in this subsection, received from a tenant of the property for ad valorem taxes and any tax or excise imposed on rents.

(g-10) A taxable entity that is primarily engaged in the business of transporting barite shall exclude from its total revenue, to the extent included under Subsection (c)(1)(A), (c)(2)(A), or (c)(3), subcontracting payments made by the taxable entity to nonemployee agents for the performance of transportation services on behalf of the taxable entity. For purposes of this subsection, "barite" means barium sulfate (BaSO₄), a mineral used as a weighing agent in oil and gas exploration.

(g-11) A taxable entity that is primarily engaged in the business of performing landman services shall exclude from its total revenue, to the extent included under Subsection (c)(1)(A), (c)(2)(A), or (c)(3), subcontracting payments made by the taxable entity to nonemployees for the performance of landman services on behalf of the taxable entity. In this subsection, "landman services" means:

(1) performing title searches for the purpose of determining

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ownership of or curing title defects related to oil, gas, or other related mineral or petroleum interests;

(2) negotiating the acquisition or divestiture of mineral rights for the purpose of the exploration, development, or production of oil, gas, or other related mineral or petroleum interests; or

(3) negotiating or managing the negotiation of contracts or other agreements related to the ownership of mineral interests for the exploration, exploitation, disposition, development, or production of oil, gas, or other related mineral or petroleum interests.

(u) A taxable entity shall exclude from its total revenue the actual cost paid by the taxable entity for a vaccine.

(v) A taxable entity primarily engaged in the business of transporting commodities by waterways that does not subtract cost of goods sold in computing its taxable margin shall exclude from its total revenue direct costs of providing inbound and outbound transportation services by intrastate or interstate waterways to the same extent that a taxable entity that sells in the ordinary course of business real or tangible personal property would be authorized by Section 171.1012 to subtract those costs as costs of goods sold in computing its taxable margin.

(w-1) A taxable entity primarily engaged in the business of providing services as an agricultural aircraft operation, as defined by 14 C.F.R. Section 137.3, shall exclude from its total revenue the cost of labor, equipment, fuel, and materials used in providing those services.

(x) A taxable entity that is registered as a motor carrier under Chapter 643, Transportation Code, shall exclude from its total revenue, to the extent included under Subsection (c)(1)(A), (c)(2)(A), or (c)(3), flow-through revenue derived from taxes and fees.

(y) A taxable entity shall exclude from its total revenue, to

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the extent included under Subsection (c)(1)(A), (c)(2)(A), or (c)(3) but not subtracted as a cost of goods sold on the report or on a previous report, the depreciation used to calculate gain or loss on the disposition of real property held primarily for the production of rental income.

SECTION 8. Section 171.1011(p), Tax Code, is amended by adding Subdivision (8) to read as follows:

(8) "Vaccine" means a preparation or suspension of dead, live attenuated, or live fully virulent viruses or bacteria, or of antigenic proteins derived from them, used to prevent, ameliorate, or treat an infectious disease.

No equivalent provision.

SECTION 9. Section 171.1012, Tax Code, is amended by amending Subsection (f) and adding Subsections (k-2), (k-3), (p), (q), (r), and (s) to read as follows:

(f) A taxable entity may subtract as a cost of goods sold indirect or administrative overhead costs, including all mixed service costs, such as security services, legal services, data processing services, accounting services, personnel operations, and general financial planning and financial management costs, that it can demonstrate are allocable to the acquisition or production of goods, except that the amount subtracted may not exceed 5.5 [~~four~~] percent of the taxable entity's total indirect or administrative overhead costs, including all mixed service costs. Any costs excluded under Subsection (e) may not be subtracted under this subsection.

(k-2) This subsection applies only to a pipeline entity: (1) that owns or leases and operates the pipeline by which the product is transported for others and only to that portion of the product to which the entity does not own title; and (2) that is primarily engaged in gathering, storing, transporting, or processing crude oil, including finished petroleum products, natural gas,

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condensate, and natural gas liquids, except for a refinery installation that manufactures finished petroleum products from crude oil. Notwithstanding Subsection (e)(3) or (i), a pipeline entity providing services for others related to the product that the pipeline does not own and to which this subsection applies may subtract as a cost of goods sold its depreciation, operations, and maintenance costs allowed by this section related to the services provided.

(k-3) For purposes of Subsection (k-2), "processing" means the physical or mechanical removal, separation, or treatment of crude oil, including finished petroleum products, natural gas, condensate, and natural gas liquids after those materials are produced from the earth. The term does not include the chemical or biological transformation of those materials.

(p) Notwithstanding Subsection (e)(2) or any other provision of this section, the cost of goods sold includes 20 percent of the costs attributable to the acceptance of credit cards and debit cards as a means of payment.

(q) Notwithstanding Subsection (i) or any other provision of this section, a taxable entity that is primarily engaged in the business of harvesting trees for wood may subtract as cost of goods sold the direct costs of acquiring or producing the timber for the wood that are specified by this subsection or otherwise described by this section, regardless of whether the taxable entity owns the land from which the trees are harvested, the harvested timber, or the wood resulting from the harvested timber. For purposes of this subsection, direct costs include costs of:

(1) moving harvesting equipment;

(2) severing timber;

(3) transporting timber to and from a mill or designated delivery point;

(4) obtaining, using, storing, or maintaining equipment

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necessary for an activity described by Subdivision (1), (2), or (3); and

(5) other supplies, labor, freight, and fuel necessary for an activity described by Subdivision (1), (2), or (3).

(r) A taxable entity that has total revenue from its entire business of less than \$5 million and that elects to subtract cost of goods sold for the purpose of computing its taxable margin may elect to determine the amount of that cost of goods sold in accordance with this subsection. A taxable entity making the election authorized by this subsection is not subject to the provisions of this section relating to the computation of the amount of cost of goods sold other than this subsection and Subsection (s). The taxable entity shall determine the amount of cost of goods sold as follows:

(1) for a taxable entity treated for federal income tax purposes as a corporation, the cost of goods sold is the amount reportable as cost of goods sold on line 2, Internal Revenue Service Form 1120;

(2) for a taxable entity treated for federal income tax purposes as a partnership, the cost of goods sold is the amount reportable as cost of goods sold on line 2, Internal Revenue Service Form 1065;

(3) for a taxable entity treated for federal income tax purposes as an S corporation, the cost of goods sold is the amount reportable as cost of goods sold on line 2, Internal Revenue Service Form 1120S; or

(4) for any other taxable entity, the cost of goods sold is an amount determined in a manner substantially equivalent to the amount for Subdivision (1), (2), or (3) determined by rules the comptroller shall adopt.

(s) A combined group that has total revenue from its entire business of less than \$5 million and that elects to subtract cost of goods sold for the purpose of computing its taxable margin

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shall make the election to compute the amount of that cost of goods sold under Subsection (r), or to compute that amount under the other provisions of this section, for all of its members.

No equivalent provision.

SECTION 10. (a) Section 171.1012, Tax Code, is amended by adding Subsection (t) to read as follows:

(t) If a taxable entity that is a movie theater elects to subtract cost of goods sold, the cost of goods sold for the taxable entity shall be the costs described by this section in relation to the acquisition, production, exhibition, or use of a film or motion picture, including expenses for the right to use the film or motion picture.

(b) Section 171.1012(t), Tax Code, as added by this section, is a clarification of existing law and does not imply that existing law may be construed as inconsistent with the law as amended by this section.

(c) This section takes effect September 1, 2013.

SECTION 11. Section 171.1013(a), Tax Code, is amended to

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SECTION __. Subchapter C, Chapter 171, Tax Code, is amended by adding Subsection (p), Section 171.1012 to read as follows:

(p) A taxable entity that is a ticket reseller, promoter or primary ticket distributor may receive an exemption to be able to subtract as a cost of goods sold the amount paid to procure one or more tickets which allow for access to an event that requires a ticket to obtain admission, including sporting events, concerts, and theater shows, but the exemption does not include all mixed service costs, such as security services, legal services, data processing services, accounting services, personnel costs or office expenses. [FA6]

No equivalent provision.

No equivalent provision.

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read as follows:

(a) Except as otherwise provided by this section, "wages and cash compensation" means the amount entered in the Medicare wages and tips box of Internal Revenue Service Form W-2 or any subsequent form with a different number or designation that substantially provides the same information. The term also includes, to the extent not included above:

(1) net distributive income from a taxable entity treated as a partnership for federal income tax purposes, but only if the person receiving the distribution is a natural person;

(2) net distributive income from limited liability companies and corporations treated as S corporations for federal income tax purposes, but only if the person receiving the distribution is a natural person;

(3) stock awards and stock options deducted for federal income tax purposes; ~~and~~

(4) net distributive income from a limited liability company treated as a sole proprietorship for federal income tax purposes, but only if the person receiving the distribution is a natural person; and

(5) salaries or other compensation deducted for federal income tax purposes of employees located outside the United States for which the employer is not required to issue an Internal Revenue Service Form W-2.

SECTION 12. Section 171.1014, Tax Code, is amended by amending Subsections (d) and (d-1) and adding Subsection (j) to read as follows:

(d) For purposes of Section 171.101, a combined group shall make an election to subtract either cost of goods sold or compensation that applies to all of its members, or \$1 million. Regardless of the election, the taxable margin of the combined group may not exceed the amount ~~[70 percent of the combined~~

SECTION __. (a) Section 171.1014, Tax Code, is amended by adding Subsection (j) to read as follows:

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~~group's total revenue from its entire business, as] provided by Section 171.101(a)(1)(A) for the combined group.~~

~~(d-1) A member of a combined group that does not elect to compute the amount of cost of goods sold as provided by Section 171.1012(r), if applicable, may claim as cost of goods sold those costs that qualify under Section 171.1012 if the goods for which the costs are incurred are owned by another member of the combined group.~~

~~(j) Notwithstanding any other provision of this section, a taxable entity that provides retail or wholesale electric utilities may not be included as a member of a combined group that includes one or more taxable entities that do not provide retail or wholesale electric utilities if that combined group in the absence of this subsection:~~

~~(1) would not meet the requirements of Section 171.002(c) solely because one or more members of the combined group provide retail or wholesale electric utilities; and~~

~~(2) would have less than five percent of the combined group's total revenue derived from providing retail or wholesale electric utilities.~~

~~No equivalent provision.~~

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(j) Notwithstanding any other provision of this section, a taxable entity that provides retail or wholesale electric utilities may not be included as a member of a combined group that includes one or more taxable entities that do not provide retail or wholesale electric utilities if that combined group in the absence of this subsection:

(1) would not meet the requirements of Section 171.002(c) solely because one or more members of the combined group provide retail or wholesale electric utilities; and

(2) would have less than five percent of the combined group's total revenue derived from providing retail or wholesale electric utilities.

~~(b) It is the intent of the legislature that certain taxable entities that are part of an affiliated group and that provide retail or wholesale electric utilities be disqualified as members of certain combined groups for purposes of the franchise tax.~~

~~(c) This Act applies only to a report originally due on or after January 1, 2014. [FA1]~~

SECTION __. Section 171.1016, Tax Code, is amended by adding Subsection (b-1) to read as follows:

(b-1) Notwithstanding Subsection (b)(3), a taxable entity that elects to pay the tax as provided by this section may determine the amount of tax for which the entity is liable by multiplying the amount computed under Subsection (b)(2) by the rate of

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0.546 percent. This subsection expires December 31, 2015.
[FA7]

No equivalent provision.

SECTION 13. Section 171.106, Tax Code, is amended by adding Subsection (g) to read as follows:

(g) A receipt from Internet hosting as defined by Section 151.108(a) is a receipt from business done in this state only if the customer to whom the service is provided is located in this state.

No equivalent provision.

SECTION 14. Section 171.106, Tax Code, is amended by adding Subsection (h) to read as follows:

(h) A taxable entity that is a broadcaster shall include in the numerator of the broadcaster's apportionment factor receipts arising from a broadcast or other distribution of film by any means only if the legal domicile of the broadcaster's customer is in this state. This subsection applies only to receipts that are licensing income from distributing film programming. In this subsection:

(1) "Broadcaster" means a taxable entity, not including a cable service provider or a direct broadcast satellite service, that is a:

(A) television or radio station licensed by the Federal Communications Commission;

(B) television or radio broadcast network;

(C) cable television network; or

(D) television distribution company.

(2) "Customer" means a person, including a licensee, that has a direct connection or contractual relationship with a broadcaster under which the broadcaster derives revenue.

(3) "Film programming" means all or part of a live or recorded performance, event, or production intended to be distributed for visual and auditory perception by an audience.

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(4) "Programming" includes news, entertainment, sporting events, plays, stories, or other literary, commercial, educational, or artistic works.

SECTION 15. (a) Subchapter C, Chapter 171, Tax Code, is amended by adding Section 171.109 to read as follows:

Sec. 171.109. DEDUCTION OF RELOCATION COSTS BY CERTAIN TAXABLE ENTITIES FROM MARGIN APPORTIONED TO THIS STATE. (a) In this section, "relocation costs" means the costs incurred by a taxable entity to relocate the taxable entity's main office or other principal place of business from one location to another. The term includes:

(1) costs of relocating computers and peripherals, other business supplies, furniture, and inventory; and

(2) any other costs related to the relocation that are allowable deductions for federal income tax purposes.

(b) Subject to Subsection (c), a taxable entity may deduct from its apportioned margin relocation costs incurred in relocating the taxable entity's main office or other principal place of business to this state from another state if the taxable entity:

(1) did not do business in this state before relocating the taxable entity's main office or other principal place of business to this state; and

(2) is not a member of an affiliated group engaged in a unitary business, another member of which is doing business in this state on the date the taxable entity relocates the taxable entity's main office or other principal place of business to this state.

(c) A taxable entity must take the deduction authorized by Subsection (b) on the report based on the taxable entity's initial period described by Section 171.151(1).

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(d) On the comptroller's request, a taxable entity that takes a deduction authorized by this section shall file with the comptroller proof of the deducted relocation costs.

(b) The change in law made by this section applies only to a taxable entity that relocates the taxable entity's main office or other principal place of business to this state on or after the effective date of this section.

(c) This section takes effect September 1, 2013.

SECTION 16. Subchapter D, Chapter 171, Tax Code, is amended by adding Section 171.159 to read as follows:

Sec. 171.159. RETAILER RECEIPT SHOWING TAX. (a) A taxable entity that is a retailer subject to Chapter 151 shall include on any receipt for an item subject to taxation under Chapter 151 an additional notation showing the amount of taxes the customer is paying for the purpose of reimbursement of the tax under this chapter.

(b) For purposes of this section, the taxable entity may estimate the amount of tax the customer is paying under this chapter based on the tax rate to which the taxable entity is subject.

SECTION 17. Subchapter E, Chapter 171, Tax Code, is amended by adding Section 171.216 to read as follows:

Sec. 171.216. BIENNIAL REPORT. Not later than January 1 of each odd-numbered year, the comptroller shall submit to the legislature and the governor a report prepared by an independent researcher from a research center established under Section 1.005, Education Code, or a tier one research university, on tax relief, including tax credits and exemptions, provided to taxable entities through changes to the tax imposed under this chapter enacted by the 83rd Legislature, Regular Session, 2013, for economic development purposes.

No equivalent provision.

No equivalent provision.

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as determined by the comptroller. The report must include:

(1) an estimate of:

(A) the total number of taxable entities that received tax relief during the preceding two calendar years as a result of those changes; and

(B) the total amount of the tax relief described by Paragraph (A); and

(2) an evaluation of the effects of the tax relief on this state, including the effects on:

(A) employment in this state;

(B) other economic activity in this state; and

(C) state tax revenues.

SECTION 18. Effective January 1, 2016, 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

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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

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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

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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

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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;

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(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

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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

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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.

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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

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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.

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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.

SECTION 19. Chapter 171, Tax Code, is amended by adding Subchapter S to read as follows:

SUBCHAPTER S. TAX CREDIT FOR CERTIFIED REHABILITATION OF CERTIFIED HISTORIC STRUCTURES

Sec. 171.901. DEFINITIONS. In this subchapter:

(1) "Certified historic structure" means a property in this state that is:

(A) listed individually in the National Register of Historic Places;

(B) designated as a Recorded Texas Historic Landmark under Section 442.006, Government Code, or as a state archeological landmark under Chapter 191, Natural Resources Code; or

(C) certified by the commission as contributing to the historic significance of:

(i) a historic district listed in the National Register of Historic Places; or

(ii) a local district certified by the United States Department of the Interior in accordance with 36 C.F.R. Section 67.9.

(2) "Certified rehabilitation" means the rehabilitation of a certified historic structure that the commission has certified as meeting the United States secretary of the interior's Standards

No equivalent provision.

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for Rehabilitation as defined in 36 C.F.R. Section 67.7.

(3) "Commission" means the Texas Historical Commission.

(4) "Eligible costs and expenses" means qualified rehabilitation expenditures as defined by Section 47(c)(2), Internal Revenue Code.

Sec. 171.902. ELIGIBILITY FOR CREDIT. An entity is eligible to apply for a credit in the amount and under the conditions and limitations provided by this subchapter against the tax imposed under this chapter.

Sec. 171.903. QUALIFICATION. An entity is eligible for a credit for eligible costs and expenses incurred in the certified rehabilitation of a certified historic structure as provided by this subchapter if:

(1) the rehabilitated certified historic structure is placed in service on or after September 1, 2013;

(2) the entity has an ownership interest in the certified historic structure in the year during which the structure is placed in service after the rehabilitation; and

(3) the total amount of the eligible costs and expenses incurred exceeds \$5,000.

Sec. 171.904. CERTIFICATION OF ELIGIBILITY. (a) Before claiming, selling, or assigning a credit under this subchapter, the entity that incurred the eligible costs and expenses in the rehabilitation of a certified historic structure must request from the commission a certificate of eligibility on which the commission certifies that the work performed meets the definition of a certified rehabilitation. The entity must include with the entity's request:

(1) information on the property that is sufficient for the commission to determine whether the property meets the definition of a certified historic structure; and

(2) information on the rehabilitation, and photographs before and after work is performed, sufficient for the commission to

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determine whether the rehabilitation meets the United States secretary of the interior's Standards for Rehabilitation as defined in 36 C.F.R. Section 67.7.

(b) The commission shall issue a certificate of eligibility to an entity that has incurred eligible costs and expenses as provided by this subchapter. The certificate must:

(1) confirm that:

(A) the property to which the eligible costs and expenses relate is a certified historic structure; and

(B) the rehabilitation qualifies as a certified rehabilitation; and

(2) specify the date the certified historic structure was first placed in service after the rehabilitation.

(c) The entity must forward the certificate of eligibility and the following documentation to the comptroller to claim the tax credit:

(1) an audited cost report issued by a certified public accountant, as defined by Section 901.002, Occupations Code, that itemizes the eligible costs and expenses incurred in the certified rehabilitation of the certified historic structure by the entity;

(2) the date the certified historic structure was first placed in service after the rehabilitation and evidence of that placement in service; and

(3) an attestation of the total eligible costs and expenses incurred by the entity on the rehabilitation of the certified historic structure.

(d) For purposes of approving the tax credit under Subsection (c), the comptroller may rely on the audited cost report provided by the entity that requested the tax credit.

(e) An entity that sells or assigns a credit under this subchapter to another entity shall provide a copy of the certificate of eligibility, together with the audited cost report,

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to the purchaser or assignee.

Sec. 171.905. AMOUNT OF CREDIT; LIMITATIONS. (a) The total amount of the credit under this subchapter with respect to the rehabilitation of a single certified historic structure that may be claimed may not exceed 25 percent of the total eligible costs and expenses incurred in the certified rehabilitation of the certified historic structure.

(b) The total credit claimed for a report, including the amount of any carryforward under Section 171.906, may not exceed the amount of franchise tax due for the report after any other applicable tax credits.

(c) Eligible costs and expenses may only be counted once in determining the amount of the tax credit available, and more than one entity may not claim a credit for the same eligible costs and expenses.

Sec. 171.906. CARRYFORWARD. (a) If an entity is eligible for a credit that exceeds the limitation under Section 171.905(b), the entity may carry the unused credit forward for not more than five consecutive reports.

(b) A carryforward is considered the remaining portion of a credit that cannot be claimed in the current year because of the limitation under Section 171.905(b).

Sec. 171.907. APPLICATION FOR CREDIT. (a) An entity must apply for a credit under this subchapter on or with the report for the period for which the credit is claimed.

(b) An entity shall file with any report on which the credit is claimed a copy of the certificate of eligibility issued by the commission under Section 171.904 and any other information required by the comptroller to sufficiently demonstrate that the entity is eligible for the credit.

(c) The burden of establishing eligibility for and the value of the credit is on the entity.

Sec. 171.908. SALE OR ASSIGNMENT OF CREDIT. (a)

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An entity that incurs eligible costs and expenses may sell or assign all or part of the credit that may be claimed for those costs and expenses to one or more entities, and any entity to which all or part of the credit is sold or assigned may sell or assign all or part of the credit to another entity. There is no limit on the total number of transactions for the sale or assignment of all or part of the total credit authorized under this subchapter, however, collectively all transfers are subject to the maximum total limits provided by Section 171.905.

(b) An entity that sells or assigns a credit under this section and the entity to which the credit is sold or assigned shall jointly submit written notice of the sale or assignment to the comptroller on a form promulgated by the comptroller not later than the 30th day after the date of the sale or assignment.

The notice must include:

(1) the date of the sale or assignment;

(2) the amount of the credit sold or assigned;

(3) the names and federal tax identification numbers of the entity that sold or assigned the credit or part of the credit and the entity to which the credit or part of the credit was sold or assigned; and

(4) the amount of the credit owned by the selling or assigning entity before the sale or assignment, and the amount the selling or assigning entity retained, if any, after the sale or assignment.

(c) The sale or assignment of a credit in accordance with this section does not extend the period for which a credit may be carried forward and does not increase the total amount of the credit that may be claimed. After an entity claims a credit for eligible costs and expenses, another entity may not use the same costs and expenses as the basis for claiming a credit.

(d) Notwithstanding the requirements of this subchapter, a credit earned or purchased by, or assigned to, a partnership,

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limited liability company, S corporation, or other pass-through entity may be allocated to the partners, members, or shareholders of that entity and claimed under this subchapter in accordance with the provisions of any agreement among the partners, members, or shareholders and without regard to the ownership interest of the partners, members, or shareholders in the rehabilitated certified historic structure, provided that the entity that claims the credit must be subject to the tax imposed under this chapter.

Sec. 171.909. RULES. The commission and the comptroller shall adopt rules necessary to implement this subchapter.

No equivalent provision.

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SECTION __. 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. DEFINITION. In this chapter, "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. DEVELOPMENT AND BIENNIAL MODIFICATION OF STATE AND LOCAL TAX PREFERENCE REVIEW SCHEDULE. (a) The comptroller shall:

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

(2) develop a state and local tax preference review schedule under which each identified tax preference is reviewed once during each 12-year period; and

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(3) specifically identify on the schedule each of the tax preferences the Legislative Budget Board must review for purposes of the next report due under Section 320A.151.

(b) Except as provided in Subsection (c), in developing the schedule, the comptroller shall give priority to scheduling for review the tax preferences that result in the greatest reduction in revenue derived from the taxes to which the tax preferences relate.

(c) In developing the schedule, the comptroller may:

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

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

(d) The comptroller shall revise the schedule biennially only to:

(1) add to the schedule a tax preference that was enacted after the comptroller developed the most recent schedule;

(2) delete from the schedule a tax preference that was repealed or that expired after the comptroller developed the most recent schedule;

(3) update the review dates of the tax preferences for which reviews were conducted after the comptroller developed the most recent schedule; and

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

Sec. 320A.052. PUBLIC COMMENT. The comptroller shall provide a process by which the public may comment on the state and local tax preference review schedule under Section 320A.051. The comptroller shall consider those comments in developing or revising the schedule.

Sec. 320A.053. SCHEDULE PROVIDED TO LEGISLATIVE BUDGET BOARD. Not later than December

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1 of each odd-numbered year, the comptroller shall provide the state and local tax preference review schedule to the Legislative Budget Board.

SUBCHAPTER C. CONDUCT OF REVIEW OF STATE AND LOCAL TAX PREFERENCES

Sec. 320A.101. PERIODIC REVIEW OF TAX PREFERENCES. The Legislative Budget Board shall periodically review each state tax preference and each type of local tax preference according to the state and local tax preference review schedule provided by the comptroller under Section 320A.053. In reviewing a tax preference, the board shall:

- (1) summarize the legislative history of the tax preference;
- (2) estimate the amount of lost tax revenue attributable to the tax preference during the preceding 12-year period, including the percent reduction in the tax revenue of the related state or local tax, using amounts reported by the comptroller under Section 403.014, if available;
- (3) determine the effect of the tax preference on the distribution of the tax burden by income class and industry or business class during the preceding 12-year period, using amounts reported and data analyzed by the comptroller under Sections 403.014 and 403.0141, if available; and
- (4) evaluate, for a tax preference that reduces by more than one percent the total revenue of the related state or local tax, the fiscal impact of the tax preference during the preceding and following 12-year periods, based on a cost-benefit analysis of the general effects of the tax preference on the overall state economy, including the effects on:
 - (A) job creation by industry sector;
 - (B) average wage by industry sector;
 - (C) gross state product by industry sector;
 - (D) business expenditures by industry sector; and

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(E) personal consumption by income class.

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

(b) Notwithstanding Section 111.006, Tax Code, or other law, the comptroller shall provide to the Legislative Budget Board complete electronic access to tax files maintained by the comptroller, as the staff of the board determines necessary to perform a review required by Section 320A.101. An employee of the board that accesses tax files maintained by the comptroller is subject to the same duties and requirements regarding confidentiality as an employee of the comptroller who accesses the files.

SUBCHAPTER D. REPORT ON TAX PREFERENCES

Sec. 320A.151. REPORT. Not later than September 1 of each even-numbered year, the Legislative Budget Board shall provide to the presiding officers of the senate finance committee, or its successor, and the house ways and means committee, or its successor, a report on the reviews of tax preferences identified under Section 320A.051(a)(3). The board shall post the report on the board's Internet website as soon as possible after the board provides the report to the presiding officers under this section. [FA3]

No equivalent provision.

SECTION __. Notwithstanding Section 320A.053, Government Code, as added by this Act, the comptroller of public accounts shall submit the initial state and local tax preference review schedule required by that section not later than January 15, 2014. [FA3]

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No equivalent provision.

SECTION 20. (a) Chapter 325, Government Code, is amended by adding Section 325.025 to read as follows:

Sec. 325.025. EVALUATION OF EXEMPTIONS FROM FRANCHISE TAX. (a) The commission shall periodically evaluate each exemption provided by Chapter 171, Tax Code, from the tax imposed under that chapter to consider whether retaining the exemption is in the public's best interest.

(b) At each regular legislative session, the commission shall present to the governor and the legislature a report on the evaluation and recommendations it makes under Subsection (a).

(c) The commission shall conduct the evaluation required by Subsection (a) according to a schedule that the commission adopts. The schedule must provide for the commission to evaluate each tax exemption at an interval not to exceed six years. The commission shall provide the schedule to the governor and the legislature.

(d) The evaluation described by this section does not apply to a tax exemption that is:

- (1) explicitly provided by the constitution of this state; or
- (2) related to an item or service that this state is unable to tax under the United States Constitution or federal law.

(b) The Sunset Advisory Commission shall adopt a schedule for evaluating exemptions from the tax imposed under Chapter 171, Tax Code, as provided by Section 325.025, Government Code, as added by this section, on or before January 1, 2014.

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SECTION __. The Legislative Budget Board shall submit the initial report required by Section 320A.151, Government Code, as added by this Act, not later than September 1, 2014.
[FA3]

No equivalent provision.

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SECTION 21. Sections 171.0021, 171.1016(d), and 171.103(c) and (d), Tax Code, are repealed.

SECTION 22. (a) Section 18, Chapter 1 (H.B. 3), Acts of the 79th Legislature, 3rd Called Session, 2006, is amended by adding Subsections (h) and (i) to read as follows:

(h) In this subsection and Subsection (i) of this section, "transfer" includes a sale. Notwithstanding Subsections (e) and (f) of this section, a corporation that has unused, unexpired credits carried forward under former Subchapter P or Q, Chapter 171, Tax Code, may transfer the credits to another taxpayer of this state. To be eligible to transfer the credits, the corporation must obtain a certificate of transfer of credit from the comptroller of public accounts for the amount of the credits to be transferred. Not later than the 30th day after the date of the transfer, the corporation must submit to the comptroller a notice of the transfer in a form prescribed by the comptroller. The notice must be accompanied by a copy of the certificate of transfer issued by the comptroller and specify:

(1) the number on the certificate of transfer;

(2) the amount of the corporation's unused, unexpired credits preceding the transfer;

(3) the date of the transfer;

(4) the amount of credits transferred;

(5) the tax identification numbers of the corporation and the taxpayer to which the credits were transferred;

(6) the corporation's remaining amount of unused, unexpired credits after the transfer; and

(7) any other information the comptroller requires.

(i) The transfer of a credit under Subsection (h) of this section is limited to a credit that was first reported on a report originally due before January 1, 2008, and does not include

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SECTION 6. Sections 171.0021 and 171.1016(d), Tax Code, are repealed.

No equivalent provision.

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credits authorized under former Subchapter Q-1, Chapter 171, Tax Code, or credits that were created under the terms of a written agreement between a taxpayer and the Texas Department of Economic Development or its successor that was entered into before June 1, 2006, and which credits continue to accrue under the terms provided by Section 19 of this Act. The transferee of a credit under this section obtains the credit subject to the same rights and privileges as the transferor. The transfer of a credit under Subsection (h) of this section does not extend or lessen the period during which the credit may be claimed. If a corporation transfers a credit that the corporation was not entitled to claim at the time of the transfer:

(1) the taxpayer to which the credit was transferred may pursue any remedy authorized by law against the corporation and may not pursue any remedy against the comptroller of public accounts or this state; and

(2) the comptroller:

(A) may not allow the taxpayer to which the credit was transferred to apply the credit on a report; or

(B) shall recover from the taxpayer the amount of the credit the taxpayer claims on a report using any means authorized by law.

(b) This section applies only to a credit transferred on or after the effective date of this section.

(c) This section takes effect September 1, 2013.

SECTION 23. Section 1(c), Chapter 286 (H.B. 4765), Acts of the 81st Legislature, Regular Session, 2009, as amended by Section 37.01, Chapter 4 (S.B. 1), Acts of the 82nd Legislature, 1st Called Session, 2011, is repealed.

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SECTION 2. (a) Section 1(c), Chapter 286 (H.B. 4765), Acts of the 81st Legislature, Regular Session, 2009, as amended by Section 37.01, Chapter 4 (S.B. 1), Acts of the 82nd Legislature, 1st Called Session, 2011, is repealed.

(b) This section takes effect September 1, 2013.

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SECTION 24. Section 2, Chapter 286 (H.B. 4765), Acts of the 81st Legislature, Regular Session, 2009, as amended by Section 37.02, Chapter 4 (S.B. 1), Acts of the 82nd Legislature, 1st Called Session, 2011, and which amended former Subsection (d), Section 171.002, Tax Code, is repealed.

SECTION 25. Section 3, Chapter 286 (H.B. 4765), Acts of the 81st Legislature, Regular Session, 2009, as amended by Section 37.03, Chapter 4 (S.B. 1), Acts of the 82nd Legislature, 1st Called Session, 2011, and which amended former Subsection (a), Section 171.0021, Tax Code, is repealed.

SECTION 26. This Act applies only to a report originally due on or after the effective date of this Act.

SECTION 27. Section 171.1011(y), Tax Code, as added by this Act, takes effect January 1, 2016.

SECTION 28. Section 14 of this Act takes effect January 1, 2015.

SECTION 29. Section 171.1011(n), Tax Code, is amended to read as follows:

(n) ~~Except as provided by Subsection (e), a~~ taxable entity that is a health care provider shall exclude from its total revenue:

(1) to the extent included under Subsection (c)(1)(A), (c)(2)(A), or (c)(3), the total amount of payments the health

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SECTION 3. (a) Section 2, Chapter 286 (H.B. 4765), Acts of the 81st Legislature, Regular Session, 2009, as amended by Section 37.02, Chapter 4 (S.B. 1), Acts of the 82nd Legislature, 1st Called Session, 2011, and which amended former Subsection (d), Section 171.002, Tax Code, is repealed.

(b) This section takes effect September 1, 2013.

SECTION 4. (a) Section 3, Chapter 286 (H.B. 4765), Acts of the 81st Legislature, Regular Session, 2009, as amended by Section 37.03, Chapter 4 (S.B. 1), Acts of the 82nd Legislature, 1st Called Session, 2011, and which amended former Subsection (a), Section 171.0021, Tax Code, is repealed.

(b) This section takes effect September 1, 2013.

No equivalent provision.

No equivalent provision.

No equivalent provision.

No equivalent provision.

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care provider received:

(A) under the Medicaid program, Medicare program, Indigent Health Care and Treatment Act (Chapter 61, Health and Safety Code), and Children's Health Insurance Program (CHIP);

(B) for professional services provided in relation to a workers' compensation claim under Title 5, Labor Code; and

(C) for professional services provided to a beneficiary rendered under the TRICARE military health system; and

(2) the actual cost to the health care provider for any uncompensated care provided, but only if the provider maintains records of the uncompensated care for auditing purposes and, if the provider later receives payment for all or part of that care, the provider adjusts the amount excluded for the tax year in which the payment is received.

SECTION 30. Section 171.1011(o), Tax Code, is repealed.

No equivalent provision.

SECTION 31. This Act applies only to a report originally due on or after the effective date of this Act.

SECTION 7. This Act applies only to a report originally due on or after January 1, 2014.

SECTION 32. This Act takes effect January 1, 2015.

No equivalent provision.

No equivalent provision.

SECTION __. This Act takes effect only if the constitutional amendment proposed by S.J.R. No. 1, 83rd Legislature, Regular Session, 2013, is approved by both houses of the legislature and submitted to the voters, and Section 39.9039, Utilities Code, as proposed by H.B. No. 7 or similar legislation of the 83rd Legislature, Regular Session, 2013, becomes law. If either condition provided by this section is not met, this Act has no effect. [FA8]

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SECTION 33. Except as otherwise provided by this Act, this Act takes effect January 1, 2014.

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SECTION 8. Same as House version.

CONFERENCE