

BILL ANALYSIS

Senate Research Center
84R2528 CJC-D

S.J.R. 23
By: Creighton
Finance
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AUTHOR'S / SPONSOR'S STATEMENT OF INTENT

Texas needs meaningful tax reform to reduce the impact of the franchise tax and lighten the burden placed on the shoulders of small businesses. Under current law there is no mechanism for tax rebates for businesses subject to the franchise tax.

S.J.R. 23, if approved by the voters, would remedy this situation in conjunction with S.B. 331 by directing the comptroller of public accounts of the State of Texas to set up a rebate system for payers of the franchise tax by returning one quarter of any unspent and non-dedicated balance at the end of the biennium to businesses. One-half of the unspent balance would still go to the Rainy Day Fund as it does currently, and the remaining quarter would be returned to General Revenue. Rebates would be calculated by using the proportional values of the amounts paid versus the total amount of the franchise tax collections and the funds available for rebate purposes.

Putting in place a rebate system allows the legislature to simultaneously prioritize franchise tax relief and maintain current revenue streams.

S.J.R. 23 proposes a constitutional amendment concerning the use of unencumbered surplus state revenues to provide for a rebate of state franchise taxes.

RULEMAKING AUTHORITY

This bill does not expressly grant any additional rulemaking authority to a state officer, institution, or agency.

SECTION BY SECTION ANALYSIS

SECTION 1. Amends Article III, Texas Constitution, by adding Section 49-g-1, as follows:

Sec. 49-g-1. (a) Requires the comptroller of public accounts of the State of Texas (comptroller), not later than the 90th day of each state fiscal biennium, to ascertain the amount of the unencumbered positive balance of general revenues on the last day of the preceding state fiscal biennium that remains after the transfer of revenues to the economic stabilization fund under Subsection (b) (requiring the comptroller to transfer to the economic stabilization fund one-half of any unencumbered positive balance of general revenues on the last day of the preceding biennium), Section 49-g, Article III, of this constitution.

(b) Requires the legislature by general law to provide a procedure by which the comptroller is required to issue to payers of this state's franchise tax a rebate of franchise taxes paid during the preceding state fiscal biennium so that:

(1) the total amount of rebates issued equals the lesser of one-half of the amount of the remaining unencumbered positive balance of general revenues ascertained under Subsection (a) of this section or the total amount of state franchise taxes collected during that preceding state fiscal biennium; and

(2) each payer of the franchise tax during that preceding state fiscal biennium receives a share of the total amount of rebates issued that is directly proportionate to the share that the amount of that taxpayer's franchise taxes paid during that preceding state fiscal biennium bears to the total amount of franchise taxes collected during that preceding state fiscal biennium.

SECTION 2. Adds the following temporary provision to the Texas Constitution:

TEMPORARY PROVISION. Provides that the constitutional amendment proposed by the 84th Legislature, Regular Session, 2015, concerning the use of unencumbered surplus state revenues to provide for a rebate of state franchise taxes applies beginning with the state fiscal biennium beginning September 1, 2017. Provides that this temporary provision expires September 1, 2019.

SECTION 3. Requires this proposed constitutional amendment to be submitted to the voters at an election to be held November 3, 2015. Sets forth the required language for the ballot.