

By: Dutton

H.B. No. 2378

A BILL TO BE ENTITLED

AN ACT

relating to a periodic review and expiration dates 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 an abatement, credit, discount, exclusion, exemption, limitation on appraised value, refund, special valuation, special accounting treatment, special appraisal method or provision, special rate, or special method of reporting authorized by state law or the state constitution that relates to a state or local tax imposed in this state.

SUBCHAPTER B. SELECT COMMISSION ON PERIODIC TAX PREFERENCE REVIEW

Sec. 320A.051. COMPOSITION OF COMMISSION. The select commission on periodic tax preference review is composed of:

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

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

1           (3) the comptroller.

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

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

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

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

14           Sec. 320A.055. MEETINGS. The commission shall meet at the  
15 call of the chair.

16           Sec. 320A.056. STAFF. On the commission's request, the  
17 Legislative Budget Board, the Texas Legislative Council, the office  
18 of the governor, the comptroller, the senate, and the house of  
19 representatives shall provide staff to assist the commission in  
20 performing the commission's duties.

21           Sec. 320A.057. COOPERATION BY OTHER STATE ENTITIES. The  
22 commission may request the assistance of any state agency,  
23 department, or office if the commission needs assistance to perform  
24 the commission's duties. The agency, department, or office shall  
25 provide the requested assistance.

26           Sec. 320A.058. EXPENSES. The operating expenses of the  
27 commission shall be paid from available funds of the office of the

1 governor and the contingent expense funds of the senate and the  
2 house of representatives, as agreed by those entities. The  
3 commission members are entitled to reimbursement from those funds  
4 for expenses incurred by the members in implementing this chapter.

5 SUBCHAPTER C. POWERS AND DUTIES OF COMMISSION

6 Sec. 320A.101. DEVELOPMENT AND BIENNIAL MODIFICATION OF  
7 STATE AND LOCAL TAX PREFERENCE REVIEW SCHEDULE. (a) The commission  
8 shall:

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

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

14 (3) specifically identify on the schedule:

15 (A) each of the tax preferences the commission  
16 must review for purposes of the next report due under Section  
17 320A.153;

18 (B) any tax preference described by Paragraph (A)  
19 that reduces by less than one-fourth of one percent the total  
20 revenue derived from the tax to which the tax preference applies and  
21 that the commission recommends for an abbreviated review; and

22 (C) the components of the review specified by  
23 Section 320A.104 that the commission recommends are unnecessary  
24 with respect to a tax preference recommended for an abbreviated  
25 review.

26 (b) In developing the schedule, the commission shall  
27 schedule the tax preferences for review in the order in which the

1 tax preferences were enacted or authorized, except that the  
2 commission may schedule the initial review of a tax preference that  
3 has an expiration date for any date the commission determines is  
4 appropriate.

5 (c) The commission shall revise the schedule biennially  
6 only to:

7 (1) add to the schedule a tax preference that was  
8 enacted or authorized after the commission developed the most  
9 recent schedule;

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

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

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

17 Sec. 320A.102. PUBLIC COMMENT. The commission shall  
18 provide a process by which the public may comment on the state and  
19 local tax preference review schedule under Section 320A.101. The  
20 commission shall consider those comments in developing or revising  
21 the schedule.

22 Sec. 320A.103. COMPLETION OF SCHEDULE. The state and local  
23 tax preference review schedule must be completed not later than  
24 December 1 of each odd-numbered year.

25 Sec. 320A.104. PERIODIC REVIEW OF STATE AND LOCAL TAX  
26 PREFERENCES. The commission shall review each state tax preference  
27 and each type of local tax preference according to the state and

1 local tax preference review schedule developed under Section  
2 320A.101. In reviewing a tax preference, the commission shall:

3 (1) determine the intended purpose of the tax  
4 preference; and

5 (2) evaluate:

6 (A) whether the tax preference accomplishes its  
7 intended purpose;

8 (B) whether the intended purpose of the tax  
9 preference could be accomplished through a more cost-effective  
10 method; and

11 (C) the effect of the tax preference on economic  
12 development in this state.

13 SUBCHAPTER D. RECOMMENDATIONS REGARDING REVIEWED TAX PREFERENCES

14 Sec. 320A.151. PRELIMINARY REPORT. Not later than  
15 September 1 of each even-numbered year, the commission shall file a  
16 preliminary report on the reviews of tax preferences identified  
17 under Section 320A.101(a)(3)(A) with the senate finance committee  
18 and the house ways and means committee. The report must include  
19 drafts of any proposed legislation needed to implement the  
20 commission's recommendations.

21 Sec. 320A.152. REVIEW AND COMMENT. The senate finance  
22 committee and the house ways and means committee may review the  
23 preliminary report and proposed legislation and submit comments to  
24 the commission. Comments must be submitted not later than October  
25 15 of each even-numbered year.

26 Sec. 320A.153. FINAL REPORT. (a) The commission may modify  
27 the preliminary report and proposed legislation in response to the

1 comments received under Section 320A.152.

2 (b) Not later than December 1 of each even-numbered year,  
3 the commission shall provide to the governor and the presiding  
4 officers of the senate finance committee and the house ways and  
5 means committee a final report on the reviews of tax preferences  
6 identified under Section 320A.101(a)(3)(A) and proposed  
7 legislation necessary to implement the commission's  
8 recommendations.

9 Sec. 320A.154. PUBLIC HEARING ON FINAL REPORT. The senate  
10 finance committee and the house ways and means committee shall hold  
11 a joint public hearing on the final report and proposed legislation  
12 provided under Section 320A.153.

13 SUBCHAPTER E. EXPIRATION OF TAX PREFERENCES

14 Sec. 320A.201. EXPIRATION; REQUIRED STATEMENT. (a) A tax  
15 preference included in a final report expires on the second  
16 anniversary of the date the final report is submitted under Section  
17 320A.153(b) unless reauthorized by law.

18 (b) Each tax preference enacted or reauthorized by an act of  
19 the legislature that becomes law on or after September 1, 2016, must  
20 state the expiration date of the preference and provide that the  
21 preference expires on that date. The expiration date may not be  
22 later than the sixth anniversary of the effective date of the law  
23 enacting or reauthorizing the tax preference.

24 (c) A tax preference to which Subsection (b) applies that  
25 does not include the provision required by that subsection expires  
26 on the sixth anniversary of the effective date of the law enacting  
27 or reauthorizing the preference.

1           SECTION 2. The lieutenant governor and the speaker of the  
2 house of representatives shall appoint the initial members of the  
3 select commission on periodic tax preference review not later than  
4 January 5, 2016. Notwithstanding Section 320A.052, Government  
5 Code, as added by this Act, the terms of the initial members of the  
6 commission expire December 31, 2016.

7           SECTION 3. Notwithstanding Section 320A.103, Government  
8 Code, as added by this Act, the select commission on periodic tax  
9 preference review shall submit:

10                   (1) the initial state and local tax preference review  
11 schedule required by that section not later than January 15, 2016;

12                   (2) the initial preliminary report required by Section  
13 320A.151, Government Code, as added by this Act, not later than  
14 September 1, 2016; and

15                   (3) the initial final report required by Section  
16 320A.153, Government Code, as added by this Act, not later than  
17 December 1, 2016.

18           SECTION 4. This Act takes effect January 1, 2016, but only  
19 if the constitutional amendment proposed by the 84th Legislature,  
20 Regular Session, 2015, requiring the legislature to provide for a  
21 periodic review of state and local tax preferences and providing  
22 for the expiration of certain tax preferences six years after the  
23 effective dates of the laws enacting or reauthorizing the  
24 preferences, or at another time prescribed by the legislature,  
25 unless reauthorized by law, is approved by the voters. If that  
26 amendment is not approved by the voters, this Act has no effect.