

By: Kacal

H.B. No. 2420

A BILL TO BE ENTITLED

AN ACT

relating to a franchise tax credit for wages paid to certain employees by certain new businesses located in small municipalities.

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

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

SUBCHAPTER R. TAX CREDIT FOR WAGES PAID BY CERTAIN TAXABLE ENTITIES IN SMALL MUNICIPALITIES

Sec. 171.871. ENTITLEMENT TO CREDIT. A taxable entity is entitled to a credit in the amount and under the conditions provided by this subchapter against the tax imposed under this chapter.

Sec. 171.872. QUALIFICATION. A taxable entity qualifies for a credit under this subchapter if the taxable entity:

(1) on or after September 1, 2015:

(A) is chartered or organized; and

(B) first begins doing business in this state in a municipality with a population of less than 3,000; and

(2) is not substantially similar in ownership and operation to another entity doing business in the municipality described by Subdivision (1)(B) before the taxable entity was chartered or organized.

Sec. 171.873. AMOUNT OF CREDIT. The amount of the credit is 50 percent of the wages paid by the taxable entity before the second

1 anniversary of the date the taxable entity first began doing
2 business in a municipality described by Section 171.872(1)(B) to
3 each employee who:

4 (1) begins employment with the taxable entity on or
5 after September 1, 2015, in a full-time employment position that is
6 located or based in that municipality; and

7 (2) is a resident of this state.

8 Sec. 171.874. APPLICATION FOR CREDIT. (a) A taxable entity
9 must apply for a credit under this subchapter on or with the tax
10 report for the period for which the credit is claimed.

11 (b) The comptroller shall promulgate a form for the
12 application for the credit. A taxable entity must use the form in
13 applying for the credit.

14 Sec. 171.875. PERIOD FOR WHICH CREDIT MAY BE CLAIMED. A
15 taxable entity may claim a credit under this subchapter for wages
16 paid during an accounting period only against the tax owed for the
17 corresponding privilege period.

18 SECTION 2. This Act applies only to a report originally due
19 on or after the effective date of this Act.

20 SECTION 3. This Act takes effect January 1, 2016.