

By: Oliveira

H.B. No. 3305

A BILL TO BE ENTITLED

AN ACT

relating to a franchise tax credit for wages paid to certain employees.

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 TO CERTAIN EMPLOYEES

Sec. 171.871. DEFINITIONS. In this subchapter:

(1) "Commission" means the Texas Workforce Commission.

(2) "Wages" means payments described by Sections 51(c)(1), (2), and (3), Internal Revenue Code.

Sec. 171.872. 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. 171.873. QUALIFICATION. A taxable entity qualifies for a credit under this subchapter for the wages paid or incurred by the taxable entity for the services of each employee who:

(1) is a resident of this state; and

(2) at the time the person is hired by the taxable entity:

(A) has been issued a document by the commission stating that the individual is a Qualified IV-A recipient as defined by 26 U.S.C. Section 51(d)(2) or is otherwise a member of a

1 family that receives financial assistance and services under
2 Chapter 31 or 34, Human Resources Code;

3 (B) served on active duty in the United States
4 armed forces and was discharged or released from active duty after
5 September 11, 2001;

6 (C) is at least 18 years of age but younger than
7 25 years of age, is unemployed, and has not been enrolled in an
8 educational institution for at least six months;

9 (D) had exhausted the person's unemployment
10 compensation benefits at any time during the preceding 18 months
11 and is unemployed; or

12 (E) is unemployed and receiving unemployment
13 compensation benefits.

14 Sec. 171.874. CONFIRMATION OF ELIGIBILITY. (a) A taxable
15 entity is not entitled to the credit under this subchapter for wages
16 paid or incurred for the services of an employee unless the taxable
17 entity requests and receives a confirmation from the commission
18 that the employee meets the requirements under Section 171.873.

19 (b) A taxable entity must request confirmation for each
20 employee for which the person intends to claim the credit not later
21 than the 60th day after the date the employee begins employment with
22 the taxable entity.

23 (c) The commission shall promulgate an online form that a
24 taxable entity must use to request the certification.

25 (d) A taxable entity is considered to have received the
26 confirmation that the employee meets the requirements under Section
27 171.873 if the taxable entity does not receive from the commission a

1 confirmation or a denial of confirmation not later than the 61st day
2 after the date the taxable entity submitted the original request
3 for the confirmation.

4 (e) The commission shall forward each confirmation to the
5 comptroller.

6 (f) The Health and Human Services Commission shall provide
7 to the commission information necessary for the commission to
8 confirm that an employee meets the requirements under Section
9 171.873.

10 Sec. 171.875. AMOUNT; LIMITATIONS. (a) The amount of the
11 credit in relation to each employee is equal to the lesser of
12 \$10,000 or 20 percent of the wages paid or incurred by the taxable
13 entity for the services of that employee beginning on the date the
14 employee begins employment and ending on the anniversary of that
15 date.

16 (b) The total credit claimed under this subchapter for a
17 report, including the amount of any carryforward credit under
18 Section 171.876, may not exceed the amount of franchise tax due for
19 the report after any other applicable credits.

20 Sec. 171.876. CARRYFORWARD. (a) If a taxable entity is
21 eligible for a credit that exceeds the limitation under Section
22 171.875(b), the taxable entity may carry the unused credit forward
23 for not more than five consecutive reports.

24 (b) A carryforward is considered the remaining portion of a
25 credit that cannot be claimed in the current year because of the
26 limitation under Section 171.875(b).

27 Sec. 171.877. APPLICATION FOR CREDIT. (a) A taxable entity

1 must apply for a credit under this subchapter on or with the tax
2 report for the period for which the credit is claimed.

3 (b) The comptroller shall promulgate a form for the
4 application for the credit. A taxable entity must use the form in
5 applying for the credit.

6 Sec. 171.878. ASSIGNMENT PROHIBITED. A taxable entity may
7 not convey, assign, or transfer a credit allowed under this
8 subchapter to another entity unless all of the assets of the taxable
9 entity, or a discrete unit of the taxable entity that paid or
10 incurred the wages, are sold, conveyed, assigned, or transferred in
11 the same transaction or in a related transaction, to a taxable
12 entity that directly or indirectly owns, controls, or otherwise
13 directs, wholly or partly, an interest in the taxable entity from
14 which the credit is conveyed, assigned, or transferred.

15 Sec. 171.879. RULES. The comptroller and the commission
16 shall adopt rules necessary to administer this subchapter.

17 SECTION 2. Section 19.011(a), Education Code, is amended to
18 read as follows:

19 (a) In order to achieve the goals stated in Section 19.003,
20 the district with the cooperation of the Health and Human Services
21 Commission, the Texas Workforce Investment Council, the Texas
22 Workforce Commission, the Texas Economic Development and Tourism
23 Office, and the department shall provide persons confined or
24 imprisoned in the department:

25 (1) information from local workforce ~~[and]~~
26 development boards on job training and employment referral
27 services; and

(2) information on the franchise tax credit [~~refund voucher~~] program under Subchapter R, Chapter 171, Tax [~~H, Chapter 301, Labor~~] Code.

SECTION 3. Section 301.0671, Labor Code, is amended to read as follows:

Sec. 301.0671. FEDERAL WORK OPPORTUNITY TAX CREDIT AND FRANCHISE [~~STATE~~] TAX CREDIT [~~REFUND~~] FOR CERTAIN EMPLOYERS. (a) The commission is the lead agency in promoting awareness of the federal work opportunity tax credit program and the franchise [~~state~~] tax credit [~~refund~~] for employers under Subchapter R, Chapter 171, Tax Code [~~H~~].

(b) The commission, in coordination with the comptroller's office and the Health and Human Services Commission [~~Texas Department of Human Services~~], shall develop and distribute educational materials designed to increase awareness of the tax credits [~~credit and tax refund~~] described by Subsection (a) to encourage employers to hire recipients of the financial assistance program [~~for persons with dependent children~~] under Chapter 31, Human Resources Code.

SECTION 4. Section 306.007(a), Labor Code, is amended to read as follows:

(a) To assist in the reintegration into the labor force of persons formerly sentenced to the correctional institutions division or committed to the Texas Juvenile Justice Department [~~Youth Commission~~], the commission through Project RIO shall provide:

(1) to those persons:

(A) information from local workforce development boards on job training and employment referral services;

(B) information from the Department of State Health Services on substance abuse treatment services;

(C) information from the Texas Department of Housing and Community Affairs on housing services;

(D) information from the Texas Veterans Commission on services for veterans; and

(E) information on franchise tax credits for employers [~~refund voucher programs~~] under Subchapter R, Chapter 171, Tax Code [~~H, Chapter 301~~]; and

(2) to the employers and potential employers of those persons:

(A) information from the Texas Economic Development and Tourism Office on the enterprise zone program; and

(B) information from local workforce development boards on services listed in Section [2308.304](#), Government Code.

SECTION 5. The following are repealed:

(1) Subchapter H, Chapter 301, Labor Code; and

(2) Section [111.109](#), Tax Code.

SECTION 6. The repeal of Subchapter H, Chapter 301, Labor Code, and Section [111.109](#), Tax Code, by this Act does not affect an eligible person's right to claim a refund of state taxes that was established under Subchapter H, Chapter 301, Labor Code, and Section [111.109](#), Tax Code, before the effective date of this Act. An eligible person's right to claim a refund of state taxes that was established under Subchapter H, Chapter 301, Labor Code, and

1 Section 111.109, Tax Code, before the effective date of this Act is
2 governed by the law in effect on the date the right to claim the
3 refund was established, and the former law is continued in effect
4 for that purpose.

5 SECTION 7. This Act applies only to a report originally due
6 on or after the effective date of this Act.

7 SECTION 8. This Act takes effect January 1, 2016.