

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 84TH LEGISLATIVE REGULAR SESSION

March 9, 2015

TO: Honorable Gary Elkins, Chair, House Committee on Government Transparency & Operation

FROM: Ursula Parks, Director, Legislative Budget Board

IN RE: HB590 by Elkins (Relating to the creation of research technology corporations by institutions of higher education; providing for tax exemptions; providing a penalty.), **As Introduced**

Depending upon the number of special-purpose corporations that might be formed and the extent their business activities, there could be an indeterminate fiscal impact on the state and units of local government.

The bill would amend Subtitle H (research in higher education) of Title 3 of the Education Code to add new Chapter 157, regarding university research technology corporations.

The bill would allow an institution of higher education, or a private or independent institution of higher education, to create a special-purpose corporation for the exclusive purpose of developing and commercializing one or more technologies owned wholly or partly by the institution.

The bill would require that the principal offices of the special-purpose corporation be in Texas, and the majority of goods and services of the special-purpose corporation must be produced or performed in Texas. The special-purpose corporation would be exempt from the franchise tax imposed by Chapter 171 of the Tax Code and would be exempt from the sales and use taxes imposed by Chapter 151 of the Tax Code on the sale, storage, use, or other consumption of a taxable item directly used or consumed by the special-purpose corporation. Also the special-purpose corporation would be entitled to an exemption from ad valorem taxation as specified in the bill. The special-purpose corporation would be limited in duration to 15 years, after which time it could file a restated and amended certificate of formation to become a for-profit corporation.

A special-purpose corporation, including a corporation that files a restated and amended certificate of formation that ceased to comply with the Texas location requirements of the bill, would be liable to the state for a penalty equal to any taxes for which the corporation received an exemption under the bill for the five calendar years preceding the noncompliance. Penalty amounts received would be deposited to the General Revenue Fund.

The bill would take effect January 1, 2016, except that subsections 157.008(b) and (f) of the Education Code would take effect only if voters approved the related constitutional amendment. If voters do not approve the related constitutional amendment, those two subsections would have no effect.

Local Government Impact

No significant fiscal implication to units of local government is anticipated.

Source Agencies: 304 Comptroller of Public Accounts, 710 Texas A&M University System Administrative and General Offices, 720 The University of Texas System Administration, 758 Texas State University System, 768 Texas Tech University System Administration, 769 University of North Texas System Administration, 781 Higher Education Coordinating Board, 783 University of Houston System Administration

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