**BILL ANALYSIS**

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| Senate Research Center | H.B. 518 |
| 85R18640 ADM-D | By: Darby et al. (Watson) |
|  | Administration |
|  | 5/16/2017 |
|  | Engrossed |

**AUTHOR'S / SPONSOR'S STATEMENT OF INTENT**

Certain non-profit and/or religious organizations that sell donated goods, including Goodwill and the Salvation Army, remit to the state a sales tax that equals about $20 million a year. These organizations have a mission of helping people with barriers to employment by providing vocational skills training, job placement, and career advancement.

H.B. 518 allows a qualified non-profit organization to keep a portion of the sales tax collected in their stores to fund cost-effective job training and placement for people with disabilities or mental health issues, veterans, the homeless, or those with criminal records.

The organization would be allowed to keep 30 percent of the sales tax collected in the first year of eligibility. In subsequent years, the organization could retain 50 percent, up to $1 million per year per organization.

After three years, the Texas comptroller of public accounts must audit the organization to ensure the retained sales tax has been used appropriately and the following metrics have been met: serve at least three people per $10,000 of sales tax retained for job training purposes and place, on average, at least 2.25 individuals in jobs. If the training is not complete or there is not successful job placement within 90 days, a proportional amount of the retailed sales tax must be remitted to the state.

Implementation of H.B. 518 has been delayed until September 1, 2019, in order to eliminate the fiscal note for the current biennium.

H.B. 518 amends current law relating to the retention and use of sales tax revenue collected by certain retailers to provide job training and placement services to certain persons.

**RULEMAKING AUTHORITY**

Rulemaking authority is expressly granted to the Texas comptroller of public accounts in SECTION 1 (Section 151.433, Tax Code) of this bill.

**SECTION BY SECTION ANALYSIS**

SECTION 1. Amends Subchapter I, Chapter 151, Tax Code, by adding Section 151.433, as follows:

Sec. 151.433. USE OF SALES TAX COLLECTIONS FOR JOB TRAINING AND PLACEMENT. (a) Defines "qualifying organization" and "workforce training community center."

(b) Authorizes a retailer to apply to the Texas comptroller of public accounts (comptroller) for certifications as a qualifying organization. Requires the comptroller, if the comptroller determines that the applicant meets the requirements to be a workforce training community center, to certify the applicant as a qualifying organization.

(c) Provides that, notwithstanding any other law, a qualifying organization is not required to remit to the comptroller and authorizes a qualifying organization to retain a certain amount of the sales taxes imposed under this chapter (Limited Sales, Excise, and Use Tax) and collected by the organization on sales during certain years.

(d) Requires a qualifying organization to show the amount of sales taxes retained as authorized by Subsection (c) on a tax report required by this chapter in addition to the information required by Section 151.406 (Contents and Form of Report).

(e) Requires a qualifying organization to continue to remit to the comptroller sales taxes imposed by a political subdivision of this state and collected on sales with respect to which the qualifying organization retains sales taxes as authorized by Subsection (c).

(f) Provides that the reimbursement authorized by Section 151.423 (Reimbursement to Taxpayer for Tax Collection) and the deduction authorized by Section 151.424 (Discount for Prepayments) do not apply with respect to the amount of sales taxes retained as authorized by Subsection (c).

(g) Requires a qualifying organization, except as provided by Subsection (h), to use money retained as authorized by Subsection (c) only to provide certain services relating to job training and employment placement.

(h) Authorizes a qualifying organization, in its first year of certification, to use money retained as authorized by Subsection (c) to improve its infrastructure and otherwise prepare to provide services described by Subsection (g). Provides that this subsection does not apply to the period after a qualifying organization's certification is renewed under Subsection (n).

(i) Requires a qualifying organization, after the period described by Subsection (h), for every $10,000 in retained sales tax collections, to provide certain job training and placement services to at least three persons and to successfully place an average of at least 2.25 persons in jobs.

(j) Provides that, subject to Subsection (k), a retailer that is certified as qualifying organization retains that certification until the third anniversary of the date of certification. Authorizes the comptroller, at any time after the period described by Subsection (h) during the certification period, and requires the comptroller at the conclusion of the certification period, to require the qualifying organization to demonstrate, in a manner prescribed by the comptroller, that the qualifying organization has not used any retained tax collections for a purpose other than a purpose described by Subsection (g) after the first year of certification and is successfully meeting or has successfully met, as applicable, the requirements described by Subsection (i).

(k) Authorizes the comptroller, after written notice and a hearing, to revoke a certification issued to a retailer that fails to comply with this chapter or a rule adopted under this chapter. Provides that a retailer whose certification the comptroller proposes to revoke is entitled to 20 days' written notice of the time and place of the hearing on the revocation. Requires that the notice state the reason the comptroller is seeking to revoke the retailer's certification. Requires the retailer at the hearing to show cause why the retailer's certification should not be revoked.

(l) Requires the comptroller to give written notice of the revocation of a certification under Subsection (k) to the retailer that was certified. Authorizes the notice to be sent by mail to the retailer's address as shown in the comptroller's records.

(m) Requires the comptroller to require an organization whose certification was revoked under Subsection (k) to remit an amount of tax collections retained in the comptroller's discretion, but not to exceed $3,333 per person not successfully placed in a job in accordance with Subsection (i)(2) (relating to requiring a qualifying organization to successfully place a certain average of persons in jobs).

(n) Authorizes a retailer that is certified as a qualifying organization to apply to renew the certification. Authorizes the comptroller to renew a retailer's certification only if the retailer has complied with all requirements during the applicant's certification period and with any other requirements for renewal as prescribed by rules adopted by the comptroller.

(o) Prohibits the comptroller, notwithstanding Subsection (b), from certifying a retailer as a qualifying organization before September 1, 2019. Provides that the authorization to retain sales taxes provided by Subsection (c) applies only to sales taxes imposed under this chapter and collected by a qualifying organization on or after September 1, 2019. Provides that this subsection expires January 1, 2020.

SECTION 2. Makes application of this Act prospective to September 1, 2019.

SECTION 3. Effective date: September 1, 2018.