

BILL ANALYSIS

C.S.H.B. 2674
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Business & Industry
Committee Report (Substituted)

BACKGROUND AND PURPOSE

Interested parties contend that greater transparency is needed with regard to nonprofit corporations that receive funding from the state. C.S.H.B. 2674 seeks to address this need by requiring certain nonprofit corporations to file an annual report disclosing the salaries of employees and officers.

CRIMINAL JUSTICE IMPACT

It is the committee's opinion that this bill does not expressly create a criminal offense, increase the punishment for an existing criminal offense or category of offenses, or change the eligibility of a person for community supervision, parole, or mandatory supervision.

RULEMAKING AUTHORITY

It is the committee's opinion that this bill does not expressly grant any additional rulemaking authority to a state officer, department, agency, or institution.

ANALYSIS

C.S.H.B. 2674 amends the Business Organizations Code to require a nonprofit corporation exempted from federal income tax under certain provisions of the federal Internal Revenue Code of 1986 that receives 25 percent or more of its income from state funding to prepare and file an annual report with the secretary of state listing the salaries of each of its employees and officers. The bill requires such a corporation to prepare the report on a form adopted by the secretary of state for that purpose and, if the corporation maintains a website, to make the report available to the public at no cost on the corporation's website. The bill's provisions expressly do not apply to a corporation that is a church, an ecclesiastical or denominational organization, or another established physical place for worship at which religious services are the primary activity and are regularly conducted. The bill requires the secretary of state to adopt a form and establish a procedure for filing such report.

EFFECTIVE DATE

September 1, 2017.

COMPARISON OF ORIGINAL AND SUBSTITUTE

While C.S.H.B. 2674 may differ from the original in minor or nonsubstantive ways, the following comparison is organized and formatted in a manner that indicates the substantial differences between the introduced and committee substitute versions of the bill.

INTRODUCED

SECTION 1. Chapter 22, Business Organizations Code, is amended by adding Subchapter J to read as follows:

SUBCHAPTER J. CERTAIN REPORTS

Sec. 22.451. ANNUAL REPORT OF EMPLOYEE AND OFFICER SALARIES.

(a) A corporation that is exempt from income taxation under Section 501(a), Internal Revenue Code of 1986, by being listed under Section 501(c)(3) of that code and that receives 25 percent or more of its income from state funding shall prepare and file an annual report with the secretary of state listing the salaries of each of its employees and officers.

(b) A corporation required to prepare a report under Subsection (a) shall prepare the report on a form adopted by the secretary of state for that purpose.

(c) A corporation required to prepare a report under Subsection (a) shall make the report available to the public at no cost on the corporation's Internet website, if the corporation maintains an Internet website.

SECTION 2. As soon as practicable after the effective date of this Act, the secretary of state shall adopt a form and establish a procedure for filing the report required by Section 22.451, Business Organizations Code, as added by this Act.

SECTION 3. This Act takes effect September 1, 2017.

HOUSE COMMITTEE SUBSTITUTE

SECTION 1. Chapter 22, Business Organizations Code, is amended by adding Subchapter J to read as follows:

SUBCHAPTER J. CERTAIN REPORTS

Sec. 22.451. ANNUAL REPORT OF EMPLOYEE AND OFFICER SALARIES.

(a) Except as provided by Subsection (d), a corporation that is exempt from income taxation under Section 501(a), Internal Revenue Code of 1986, by being listed under Section 501(c)(3) of that code and that receives 25 percent or more of its income from state funding shall prepare and file an annual report with the secretary of state listing the salaries of each of its employees and officers.

(b) A corporation required to prepare a report under Subsection (a) shall prepare the report on a form adopted by the secretary of state for that purpose.

(c) A corporation required to prepare a report under Subsection (a) shall make the report available to the public at no cost on the corporation's Internet website, if the corporation maintains an Internet website.

(d) This section does not apply to a corporation that is a church, an ecclesiastical or denominational organization, or another established physical place for worship at which religious services are the primary activity and are regularly conducted.

SECTION 2. Same as introduced version.

SECTION 3. Same as introduced version.