

By: Miles, et al.

S.B. No. 518

A BILL TO BE ENTITLED

AN ACT

relating to a franchise tax credit for entities that employ certain students in certain paid internship or similar programs.

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 PAID INTERNSHIPS GIVEN TO CERTAIN HIGH SCHOOL STUDENTS

Sec. 171.871. DEFINITIONS. In this subchapter:

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

(2) "Eligible internship program" means a paid internship or similar program that meets the requirements of rules adopted by the commission under Section 171.875 and requires an eligible student to work at least the number of hours equivalent to five hours per week for one semester.

(3) "Eligible student" means a home-schooled student or a student enrolled in a public, private, or charter school who has reached the minimum age required under Chapter 51, Labor Code, to legally work in the eligible internship program.

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 FOR CREDIT. A taxable entity

1 qualifies for a credit under this subchapter for each eligible
2 student who completes an eligible internship program offered by the
3 taxable entity.

4 Sec. 171.874. AMOUNT OF CREDIT; LIMITATIONS. (a) The
5 amount of the credit is \$1,000 for each eligible student who
6 completes an eligible internship program offered by the taxable
7 entity.

8 (b) A taxable entity may claim the credit only for an
9 eligible internship program offered by the taxable entity that is
10 located or based in this state.

11 (c) A taxable entity may not claim the credit in connection
12 with an eligible student if an owner of the taxable entity is
13 related to the eligible student within the third degree of
14 consanguinity as determined under Subchapter B, Chapter 573,
15 Government Code.

16 (d) The total amount of tax credits that may be awarded
17 under this subchapter may not exceed \$5 million in a state fiscal
18 biennium.

19 (e) The comptroller by rule shall prescribe procedures by
20 which the comptroller may allocate credits under this subchapter.
21 The procedures must provide that credits are allocated to taxable
22 entities that apply under Section 171.876 on a first-come,
23 first-served basis.

24 Sec. 171.875. COMMISSION RULES. The commission, after
25 consulting with the commissioner of education, shall adopt rules
26 providing the requirements that an internship or similar program
27 must meet to be considered an eligible internship program under

1 this subchapter.

2 Sec. 171.876. APPLICATION FOR CREDIT. (a) A taxable
3 entity must apply for a credit under this subchapter on or with the
4 tax report for the period for which the credit is claimed.

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

8 Sec. 171.877. PERIOD FOR WHICH CREDIT MAY BE CLAIMED. A
9 taxable entity may claim a credit under this subchapter against the
10 tax owed for a privilege period only in connection with an eligible
11 student who completes an eligible internship program during the
12 privilege period.

13 Sec. 171.878. BIENNIAL STUDY AND REPORT. (a) In this
14 section, "school" refers to the school of public affairs at Texas
15 Southern University.

16 (b) The school shall biennially study and report on the
17 effectiveness of the tax credit established by this subchapter in
18 creating jobs. The report must include, to the extent available,
19 for each privilege period covered by the report:

20 (1) the total number of eligible internship programs
21 offered in which eligible students participated and the total
22 amount of credits claimed by taxable entities for those internship
23 programs;

24 (2) the total number of eligible students who
25 completed an eligible internship program and who were subsequently
26 hired for a permanent job in this state by the taxable entity that
27 offered the program;

1 (3) for the permanent jobs described by Subdivision
2 (2):

3 (A) the median wage of those jobs;

4 (B) the North American Industry Classification
5 System classification of each of those jobs; and

6 (C) the number of those jobs that provide health
7 benefits coverage;

8 (4) the number of taxable entities receiving a credit
9 that are historically underutilized businesses, as that term is
10 defined by Section 2161.001, Government Code, and the total amount
11 of credits claimed by those entities;

12 (5) demographic information on students participating
13 in eligible internship programs under this subchapter, including
14 the schools in which the students are enrolled, to the extent
15 allowed under state and federal law; and

16 (6) an assessment of the number of eligible internship
17 programs that would not have been offered in the absence of the
18 credit and the total number of students who completed those
19 programs, including:

20 (A) for the 2018 privilege period, a comparison
21 of the number of students for which a credit is reported under
22 Subdivision (1) to the number of public high school students of
23 legal working age who were employed in this state for any period of
24 time during the 2017 privilege period by the taxable entities that
25 offered eligible internship programs reported under Subdivision
26 (1) for the 2018 privilege period; and

27 (B) for the 2018 privilege period and each

1 subsequent period, an estimate of the number of public high school
2 students of legal working age who were employed in this state for
3 any period of time during the privilege period outside of an
4 eligible internship program.

5 (c) To the extent allowed by law, the comptroller, the Texas
6 Higher Education Coordinating Board, and any other appropriate
7 state agency shall assist the school in obtaining the information
8 needed to prepare the report required under Subsection (b).

9 (d) Not later than December 1 of each even-numbered year,
10 the school shall submit the report required under Subsection (b) to
11 the governor, the lieutenant governor, and the legislature. The
12 report may be submitted electronically.

13 Sec. 171.879. EXPIRATION. (a) This subchapter expires
14 December 31, 2023.

15 (b) The expiration of this subchapter does not affect the
16 carryforward of a credit authorized under this subchapter
17 established before the date this subchapter expires.

18 SECTION 2. A taxable entity may claim the credit under
19 Subchapter R, Chapter 171, Tax Code, as added by this Act, only in
20 connection with an eligible student who completes a paid internship
21 or similar program on or after the effective date of this Act and
22 only on a franchise tax report originally due under Chapter 171, Tax
23 Code, on or after that date.

24 SECTION 3. The first report required by Section 171.878,
25 Tax Code, as added by this Act, is due not later than December 1,
26 2018.

27 SECTION 4. This Act takes effect January 1, 2018.