

**LEGISLATIVE BUDGET BOARD**  
**Austin, Texas**

**FISCAL NOTE, 85TH LEGISLATIVE REGULAR SESSION**

**May 2, 2017**

**TO:** Honorable Dennis Bonnen, Chair, House Committee on Ways & Means

**FROM:** Ursula Parks, Director, Legislative Budget Board

**IN RE: HB595** by Workman (relating to a franchise tax credit for entities that employ certain students in certain paid internship or similar programs.), **Committee Report 1st House, Substituted**

**Estimated Two-year Net Impact to General Revenue Related Funds** for HB595, Committee Report 1st House, Substituted: an impact of \$0 through the biennium ending August 31, 2019.

**Additionally, the bill will have a direct impact of a revenue loss to the Property Tax Relief Fund of (\$6,000,000) for the 2018-19 biennium. Any loss to the Property Tax Relief Fund must be made up with an equal amount of General Revenue to fund the Foundation School Program.**

**General Revenue-Related Funds, Five-Year Impact:**

<b>Fiscal Year</b>	<b>Probable Net Positive/(Negative) Impact to General Revenue Related Funds</b>
2018	\$0
2019	\$0
2020	\$0
2021	\$0
2022	\$0

**All Funds, Five-Year Impact:**

<b>Fiscal Year</b>	<b>Probable Revenue (Loss) from Property Tax Relief Fund 304</b>
2018	\$0
2019	(\$6,000,000)
2020	(\$6,000,000)
2021	(\$6,000,000)
2022	(\$6,000,000)

**Fiscal Analysis**

The bill would amend Chapter 171 of the Tax Code, regarding the franchise tax, to add new

Subchapter R to provide a tax credit for paid internships given to certain students.

A taxable entity would qualify for a credit for each eligible student who completes an eligible internship offered by the taxable entity. "Eligible internship program" would be defined as a paid internship or similar program that meets the requirements of rules adopted by the Texas Workforce Commission in consultation with the commissioner of education and the Texas Higher Education Coordinating Board. The internship program must be part of the curriculum requirements for an endorsement under the Education Code, part of the curriculum for a public junior college, or part of a course of study in a private school or a nontraditional secondary education setting. "Eligible student" would be defined as a student who has reached the minimum age required under the Labor Code to work in the eligible internship and who is enrolled in a public or private school, in a course of study in a nontraditional secondary education setting, or full-time or part-time in a public junior college.

A taxable entity would qualify for a credit for each eligible student who completes an eligible internship program offered by the taxable entity. The amount of credit would be \$1,000 for each eligible student who completes an internship located in this state offered by the taxable entity. Credit could not be earned for a student who is related to the owner of the taxable entity within the third degree of consanguinity as determined under the Government Code. The Texas Workforce Commission would adopt rules after consulting with the commissioner of education and the Texas Higher Education Coordinating Board regarding requirements for an eligible internship program. The commissioner of education would adopt rules regarding a student's course of work in a private school or nontraditional secondary education setting. The Comptroller would promulgate a form to apply for the credit.

A taxable entity could claim a credit against tax owed for a privilege period only in connection with an eligible student who completes an eligible internship during the privilege period.

The bill would take effect on January 1, 2018, and only apply to eligible students completing an internship on or after the effective date of the bill.

### **Methodology**

There would be no fiscal impact in 2018 because an internship completed after the effective date of the bill would be claimed on a report due in 2019 or later. The fiscal impact for 2019 to 2022 is based on information from the "High School Careers Study" prepared by Millennial Branding and Internships.com and on information from the state of Florida regarding the "Florida Student Intern Employment Program.

The privilege period for a regular annual report is the calendar year which includes the due date for the report. For franchise tax calculations the report is based on activity that occurred during the taxable entity's accounting year ending prior to the beginning of the privilege period. The provisions of this bill would be an exception to that since the qualifying activity would be required to occur within the privilege period. The estimate assumes that a taxable entity who provides an eligible internship during a privilege would claim the credit on an amended report.

### **Local Government Impact**

No fiscal implication to units of local government is anticipated.

**Source Agencies:** 304 Comptroller of Public Accounts

**LBB Staff:** UP, KK, SD