

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 85TH LEGISLATIVE REGULAR SESSION

April 5, 2017

TO: Honorable Jane Nelson, Chair, Senate Committee on Finance

FROM: Ursula Parks, Director, Legislative Budget Board

IN RE: SB518 by Miles (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 SB518, 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 (\$4,000,000) 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:

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

All Funds, Five-Year Impact:

Fiscal Year	Probable Revenue (Loss) from Property Tax Relief Fund 304
2018	\$0
2019	(\$4,000,000)
2020	(\$2,500,000)
2021	(\$2,500,000)
2022	(\$2,500,000)

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 high school students.

Under the bill's provisions, an "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 as required by the bill, and is part of the curriculum requirements for an endorsement under the Education Code. An "eligible student" would be defined as a student enrolled in a public high school who has reached the minimum age under the Labor Code to work in the eligible internship program.

The amount of the credit would be \$1,000 for each eligible student who completes an eligible internship located in this state offered by the taxable entity. A taxable entity could not earn credit 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 Comptroller would create a form for the credit application. The total amount of tax credits that could be awarded could not exceed \$5 million in a state fiscal biennium. The Comptroller by rule would prescribe procedures to allocate credits.

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 provide that a biennial study and report be prepared on the effectiveness of the tax credit in creating new jobs and include information set out in the bill. The report would be prepared by the School of Public Affairs at Texas Southern University.

This bill would take effect 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 since 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 years 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 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 tax 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 providing an eligible internship during a privilege period would claim the credit on an amended report and on the limitation contained in the bill.

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