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HOUSE OF REPRESENTATIVES

FLOOR AMENDMENT NO. _____

BY: Chris Turner

Amend C.S.H.B. No. 2 (house committee printing) by adding the following appropriately numbered SECTION to the bill and renumbering subsequent SECTIONS of the bill accordingly:

SECTION ____ (a) Subtitle B, Title 3, Government Code, is amended by adding Chapter 320A to read as follows:

CHAPTER 320A. REVIEW OF STATE AND LOCAL TAX PREFERENCES

SUBCHAPTER A. GENERAL PROVISIONS

Sec. 320A.001. DEFINITION. In this chapter, "tax preference" means a credit, discount, exclusion, exemption, refund, special valuation, special accounting treatment, special rate, or special method of reporting authorized by state law that relates to a state or local tax imposed in this state.

SUBCHAPTER B. SCHEDULE FOR PERIODIC REVIEW OF STATE AND LOCAL TAX PREFERENCES

Sec. 320A.051. DEVELOPMENT AND BIENNIAL MODIFICATION OF STATE AND LOCAL TAX PREFERENCE REVIEW SCHEDULE. (a) The comptroller shall:

- (1) identify each state tax preference and each type of local tax preference;
- (2) develop a state and local tax preference review schedule under which each identified tax preference is reviewed once during each six-year period; and
- (3) specifically identify on the schedule each of the tax preferences the Legislative Budget Board must review for purposes of the next report due under Section 320A.151.

(b) Except as provided in Subsection (c), in developing the schedule, the comptroller shall give priority to scheduling for review the tax preferences that result in the greatest reduction in revenue derived from the taxes to which the tax preferences relate.

(c) In developing the schedule, the comptroller may:

(1) schedule for review at the same time all tax preferences authorized in the same chapter of the Tax Code; and

(2) schedule the initial review of a tax preference that has an expiration date for any date the comptroller determines is appropriate.

(d) The comptroller shall revise the schedule biennially only to:

(1) add to the schedule a tax preference that was enacted or authorized after the comptroller developed the most recent schedule;

(2) delete from the schedule a tax preference that was repealed or that expired after the comptroller developed the most recent schedule;

(3) update the review dates of the tax preferences for which reviews were conducted after the comptroller developed the most recent schedule; and

(4) update the tax preferences identified under Subsection (a)(3).

Sec. 320A.052. PUBLIC COMMENT. The comptroller shall provide a process by which the public may comment on the state and local tax preference review schedule under Section 320A.051. The

comptroller shall consider those comments in developing or revising the schedule.

Sec. 320A.053. SCHEDULE PROVIDED TO LEGISLATIVE BUDGET BOARD. Not later than December 1 of each odd-numbered year, the comptroller shall provide the state and local tax preference review schedule to the Legislative Budget Board.

SUBCHAPTER C. CONDUCT OF REVIEW OF STATE

AND LOCAL TAX PREFERENCES

Sec. 320A.101. PERIODIC REVIEW OF TAX PREFERENCES. The Legislative Budget Board shall periodically review each state tax preference and each type of local tax preference according to the state and local tax preference review schedule provided by the comptroller under Section 320A.053. In reviewing a tax preference, the board shall:

(1) determine the intended purpose of the tax preference; and

(2) evaluate:

(A) whether the tax preference accomplishes its intended purpose;

(B) whether the tax preference is inefficient, ineffective, or unnecessary, or the intended purpose of the tax preference is a low priority for this state; and

(C) the effect of the tax preference on economic development, the number of high-wage jobs, funding for public services, the distribution of the tax burden by income class and industry or business class, and total income by income class in this state.

Sec. 320A.102. COOPERATION BY OTHER STATE ENTITIES. The Legislative Budget Board may request assistance from the comptroller or any other state agency, department, or office if the board needs assistance to perform the review required by Section 320A.101. The comptroller or other agency, department, or office shall provide the requested assistance.

SUBCHAPTER D. RECOMMENDATIONS REGARDING REVIEWED TAX PREFERENCES

Sec. 320A.151. PRELIMINARY REPORT. Not later than September 1 of each even-numbered year, the Legislative Budget Board shall provide to the presiding officers of the senate finance committee, or its successor, and the house ways and means committee, or its successor, a preliminary report on the reviews of tax preferences identified under Section 320A.051(a)(3). The report must include drafts of any proposed legislation needed to implement the board's recommendations.

Sec. 320A.152. FINAL REPORT. (a) The senate finance committee, or its successor, and the house ways and means committee, or its successor, shall review and may modify the preliminary report and proposed legislation provided to the committees under Section 320A.151.

(b) Not later than December 1 of each even-numbered year, the senate finance committee, or its successor, and the house ways and means committee, or its successor, shall provide to the governor, the lieutenant governor, and the speaker of the house of representatives a final report on the reviews of tax preferences identified under Section 320A.051(a)(3). The final report must

include:

(1) as to each tax preference examined, a

recommendation to:

(A) continue the tax preference;

(B) amend a provision relating to the tax

preference; or

(C) repeal the tax preference;

(2) a complete explanation of each recommendation;

(3) proposed legislation necessary to implement the findings of the final report; and

(4) a description of any deviations from the preliminary report provided under Section 320A.151 that are made by the final report, and a description of the reasons for each deviation.

Sec. 320A.153. PUBLIC HEARING ON FINAL REPORT. The senate finance committee, or its successor, and the house ways and means committee, or its successor, shall hold a joint public hearing on the final report and proposed legislation provided under Section 320A.152.

SUBCHAPTER E. EXPIRATION OF TAX PREFERENCES

Sec. 320A.201. EXPIRATION; REQUIRED STATEMENT. (a) Each tax preference enacted by the legislature that becomes law on or after September 1, 2020:

(1) expires six years after the date the tax preference takes effect, unless the legislature provides for an earlier or later expiration date; and

(2) must include the following statement: "This tax

preference expires six years after its effective date unless the legislature provides for an earlier or later expiration date."

(b) A tax preference to which Subsection (a) applies that does not include the statement required by Subsection (a)(2) expires as provided by Subsection (a)(1).

(b) The comptroller of public accounts shall submit the initial state and local tax preference review schedule required by Section 320A.053, Government Code, as added by this section, not later than January 15, 2020.

(c) The Legislative Budget Board shall submit the initial preliminary report required by Section 320A.151, Government Code, as added by this section, not later than September 1, 2020.

(d) The senate finance committee and the house ways and means committee shall submit the initial final report required by Section 320A.152, Government Code, as added by this section, not later than December 1, 2020.

(e) This section takes effect only if the constitutional amendment proposed by the 86th Legislature, Regular Session, 2019, requiring the legislature to provide for a periodic review of state and local tax preferences and providing for the expiration of certain tax preferences six years after their effective dates or at another time prescribed by the legislature is approved by the voters. If that amendment is not approved by the voters, this section has no effect.