

BILL ANALYSIS

C.S.H.B. 3823
By: Sherman, Sr.
Ways & Means
Committee Report (Substituted)

BACKGROUND AND PURPOSE

It has been noted that while many businesses would like to provide paid family care leave to help employees and their families, economic restraints can often preclude a business from adopting policies for such leave. C.S.H.B. 3823 seeks to incentivize and help facilitate the adoption of paid family care leave policies by providing a franchise tax credit for certain employers who adopt such a policy.

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 rulemaking authority is expressly granted to the comptroller of public accounts in SECTION 2 of this bill.

ANALYSIS

C.S.H.B. 3823 amends the Tax Code to entitle a taxable entity with an average of not more than 1,500 employees during the period on which a franchise tax report is based to a franchise tax credit if the entity provides paid family care leave to an employee according to a policy adopted by the entity under which an employee is entitled to at least:

- four weeks of paid leave following giving birth to an infant, defined by the bill as a child younger than one year of age;
- two weeks of paid leave following the birth of the employee's infant if the employee did not give birth to the infant; and
- two weeks of paid leave following the adoption of an infant by the employee or placement by the Department of Family and Protective Services of an infant in substitute care with the employee.

C.S.H.B. 3823 sets the amount of the credit for a tax report at an amount equal to the lesser of twice the amount of the costs attributable to providing paid family care leave to employees during the accounting period on which the report is based or the amount of franchise tax due for the report after applying all other applicable credits. The bill requires a taxable entity to apply for the credit on or with the tax report for the period for which the credit is claimed, requires the comptroller of public accounts to promulgate a form for the application for the credit, and requires the entity to use the form in applying for the credit. A taxable entity may claim a credit for a tax report only in connection with paid family care leave provided to an employee during the accounting period on which the report is based. The bill requires the comptroller to adopt rules regarding the manner by which a taxable entity may demonstrate the costs attributable to providing paid family care leave.

EFFECTIVE DATE

January 1, 2020.

COMPARISON OF ORIGINAL AND SUBSTITUTE

While C.S.H.B. 3823 may differ from the original in minor or nonsubstantive ways, the following summarizes the substantial differences between the introduced and committee substitute versions of the bill.

The substitute does not provide a franchise tax exemption for a corporation with one or more employees that adopts a qualifying family care leave policy. The substitute provides instead for a franchise tax credit for a taxable entity with an average of not more than 1,500 employees that adopts such a policy.

The substitute revises the required components of a qualifying family care leave policy by specifying that the leave requirements apply with respect to the birth, adoption, or placement of a child younger than one year of age and by specifying that the type of placement for which leave must be provided is placement in substitute care.

The substitute includes provisions setting out the amount of the tax credit and the manner in which a taxable entity must apply for the credit.

The substitute includes requirements for the comptroller to promulgate a form for the application for the credit and to adopt rules regarding the manner by which a taxable entity may demonstrate the costs attributable to providing paid family care leave.

The substitute includes a short title.