BILL ANALYSIS

AUTHOR'S / SPONSOR'S STATEMENT OF INTENT

Internships are a cost-effective method of recruiting and evaluating potential employees in a real-world work setting. Internships also prepare students for successful participation in a workforce or higher education environment. Texas should foster workforce development by incentivizing businesses to provide internship opportunities to Texas students.

S.B. 570 creates a franchise tax credit for any taxable entity that offers an eligible internship program to high school or junior college students. A participating business will receive a one-thousand dollar franchise tax credit for each internship granted to an eligible student.

A taxable entity may not claim this franchise tax credit if an owner of the business is related to the student. A taxable entity may only claim the franchise tax credit for providing an internship that is in Texas. Eligible internship means a paid internship program or similar program adopted by the Texas Workforce Commission.

S.B. 570 aims to promote a successful pathway between high schools, community colleges, and the Texas workforce.

As proposed, S.B. 570 amends current law relating to a franchise tax credit for entities that employ certain students in certain paid internship or similar programs.

RULEMAKING AUTHORITY

Rulemaking authority is expressly granted to the Texas Workforce Commission in SECTION 1 (Section 171.8005, Tax Code) of this bill.

SECTION BY SECTION ANALYSIS

SECTION 1. Amends Chapter 171, Tax Code, by adding Subchapter R, as follows:

SUBCHAPTER R. TAX CREDIT FOR PAID INTERNSHIPS GIVEN TO CERTAIN STUDENTS

Sec. 171.8001. DEFINITIONS. Defines "commission," "eligible internship program," "eligible student," and "public junior college."

Sec. 171.8002. ENTITLEMENT TO CREDIT. Provides that 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. 171.8003. QUALIFICATION FOR CREDIT. Provides that a taxable entity qualifies for a credit under this subchapter for each eligible student who completes an eligible internship program offered by the taxable entity.

Sec. 171.8004. AMOUNT OF CREDIT; LIMITATIONS. (a) Provides that the amount of the credit is $1,000 for each eligible student who completes an eligible internship program offered by the taxable entity.

(b) Authorizes a taxable entity to claim the credit only for an eligible internship program offered by the taxable entity that is located or based in this state.

(c) Prohibits a taxable entity from claiming the credit in connection with an eligible student if an owner of the taxable entity is related to the eligible student within the third degree of consanguinity as determined under Subchapter B (Relationships by Consanguinity or by Affinity), Chapter 573, Government Code.

Sec. 171.8005. COMMISSION RULES. Requires the Texas Workforce Commission (TWC), after consulting with the commissioner of education and the Texas Higher Education Coordinating Board, to adopt rules providing the requirements that an internship or similar program must meet to be considered an eligible internship program under this subchapter.

Sec. 171.8006. APPLICATION FOR CREDIT. (a) Requires a taxable entity to apply for a credit under this subchapter on or with the tax report for the period for which the credit is claimed.

(b) Requires the comptroller of public accounts of the State of Texas to promulgate a form for the application for the credit. Requires a taxable entity to use the form in applying for the credit.

Sec. 171.8007. PERIOD FOR WHICH CREDIT MAY BE CLAIMED. Authorizes a taxable entity to claim a credit under this subchapter against the tax owed for a privilege period only in connection with an eligible student who completes an eligible internship program during the privilege period.

SECTION 2. Makes application of this Act prospective.

SECTION 3. Effective date: January 1, 2020.