

## **BILL ANALYSIS**

Senate Research Center  
86R8054 GRM-D

S.B. 1869  
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Finance  
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### **AUTHOR'S / SPONSOR'S STATEMENT OF INTENT**

Individuals with disabilities experience numerous challenges associated with participation in the labor force. According to a report by the National Institute on Disability, Independent Living, and Rehabilitation Research, Texas's employment rates for people with disabilities ranged from 37 percent to 42 percent while the employment rates for people without disabilities ranged from 76 percent to 78 percent.

Individuals with disabilities enhance workforce diversity and can offer employers unique skill sets and perspectives. People with disabilities must think creatively about how to solve problems and accomplish daily tasks. This resourcefulness can translate into innovative thinking, new ideas, and alternative approaches to dealing with business challenges. Also, employers who practice inclusive hiring found that their employees with disabilities have higher retention rates, better productivity levels, lower absenteeism rates, and fewer injuries than other workers. Because people with these attributes have the potential to strengthen the Texas labor market, individuals with disabilities are a valuable resource for Texas employers and the Texas economy. Encouraging employment for people with disabilities maintains economic growth and allows individuals to be economically self-sufficient. Additionally, employment gives people with disabilities the opportunity to use their skills, enables them to actively participate in the community, and ultimately leads them to a better quality of life.

S.B. 1869 amends Chapter 171 of the Tax Code to include tax incentives for businesses that hire employees with disabilities.

As proposed, S.B. 1869 amends current law relating to a franchise tax credit for taxable entities that employ persons with disabilities.

### **RULEMAKING AUTHORITY**

Rulemaking authority is expressly granted to the comptroller of public accounts of the State of Texas in SECTION 1 (Section 171.577, Tax Code) of this bill.

### **SECTION BY SECTION ANALYSIS**

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

#### **SUBCHAPTER K-1. TAX CREDIT FOR WAGES PAID TO PERSONS WITH DISABILITIES**

Sec. 171.571. DEFINITION. Defines "person with a disability."

Sec. 171.572. ENTITLEMENT TO CREDIT. Entitles a taxable entity to a credit in the amount and under the conditions provided by this subchapter against the tax imposed under this chapter (Franchise Tax).

Sec. 171.573. QUALIFICATION. Provides that a taxable entity qualifies for a credit under this subchapter for wages paid to each person with a disability who is employed by the taxable entity in a position that is located or based in this state.

Sec. 171.574. AMOUNT; LIMITATIONS. (a) Provides that, subject to Subsection (b), the amount of the credit for a report in connection with each employee described by Section 171.573 is equal to the lesser of:

- (1) 50 percent of the wages paid by the taxable entity to the employee; or
- (2) \$7,500.

(b) Provides that the total amount of the credit for each report is equal to the lesser of:

- (1) the total of the credits allowed under Subsection (a) for the reporting period for all employees described by Section 171.573; or
- (2) the amount of franchise tax due after applying all other applicable credits.

Sec. 171.575. 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 (comptroller) to promulgate a form for the application for the credit. Requires taxable entity to use the form in applying for the credit.

Sec. 171.576. PERIOD FOR WHICH CREDIT MAY BE CLAIMED. Authorizes a taxable entity to claim a credit under this subchapter for a report only in connection with wages paid during the accounting period on which the report is based.

Sec. 171.577. RULES. Requires the comptroller to adopt rules regarding the manner by which a taxable entity is authorized to demonstrate that an employee is a person with a disability for purposes of this subchapter.

SECTION 2. Makes application of this Act prospective.

SECTION 3. Effective date: January 1, 2020.