

By: Turner of Tarrant

H.B. No. 3968

A BILL TO BE ENTITLED

AN ACT

relating to a periodic review and expiration dates of state and local tax preferences.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF TEXAS:

SECTION 1. 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

1 tax preferences the Legislative Budget Board must review for  
2 purposes of the next report due under Section 320A.151.

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

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

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

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

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

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

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19 repealed or that expired after the comptroller developed the most  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

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

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

26 Sec. 320A.052. PUBLIC COMMENT. The comptroller shall  
27 provide a process by which the public may comment on the state and

1 local tax preference review schedule under Section 320A.051. The  
2 comptroller shall consider those comments in developing or revising  
3 the schedule.

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

8 SUBCHAPTER C. CONDUCT OF REVIEW OF STATE AND LOCAL TAX PREFERENCES

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

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

17 (2) evaluate:

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

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

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

1       Sec. 320A.102. COOPERATION BY OTHER STATE ENTITIES. The  
2 Legislative Budget Board may request assistance from the  
3 comptroller or any other state agency, department, or office if the  
4 board needs assistance to perform the review required by Section  
5 320A.101. The comptroller or other agency, department, or office  
6 shall provide the requested assistance.

7       SUBCHAPTER D. RECOMMENDATIONS REGARDING REVIEWED TAX PREFERENCES

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

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

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

1           (1) as to each tax preference examined, a  
2 recommendation to:

3                   (A) continue the tax preference;

4                   (B) amend a provision relating to the tax  
5 preference; or

6                   (C) repeal the tax preference;

7           (2) a complete explanation of each recommendation;

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

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

14           Sec. 320A.153. PUBLIC HEARING ON FINAL REPORT. The senate  
15 finance committee, or its successor, and the house ways and means  
16 committee, or its successor, shall hold a joint public hearing on  
17 the final report and proposed legislation provided under Section  
18 320A.152.

19           SUBCHAPTER E. EXPIRATION OF TAX PREFERENCES

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

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

26                   (2) must include the following statement: "This tax  
27 preference expires six years after its effective date unless the

1 legislature provides for an earlier or later expiration date."

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

5 SECTION 2. The comptroller of public accounts shall submit  
6 the initial state and local tax preference review schedule required  
7 by Section 320A.053, Government Code, as added by this Act, not  
8 later than January 15, 2020.

9 SECTION 3. The Legislative Budget Board shall submit the  
10 initial preliminary report required by Section 320A.151,  
11 Government Code, as added by this Act, not later than September 1,  
12 2020.

13 SECTION 4. The senate finance committee and the house ways  
14 and means committee shall submit the initial final report required  
15 by Section 320A.152, Government Code, as added by this Act, not  
16 later than December 1, 2020.

17 SECTION 5. This Act takes effect January 1, 2020, but only  
18 if the constitutional amendment proposed by the 86th Legislature,  
19 Regular Session, 2019, requiring the legislature to provide for a  
20 periodic review of state and local tax preferences and providing  
21 for the expiration of certain tax preferences six years after their  
22 effective dates or at another time prescribed by the legislature is  
23 approved by the voters. If that amendment is not approved by the  
24 voters, this Act has no effect.