

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 86TH LEGISLATIVE REGULAR SESSION

April 13, 2019

TO: Honorable Jane Nelson, Chair, Senate Committee on Finance

FROM: John McGeady, Assistant Director Sarah Keyton, Assistant Director
Legislative Budget Board

IN RE: **SB570** by Creighton (Relating to a franchise tax credit for entities that employ certain students in certain paid internship or similar programs.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for SB570, As Introduced: an impact of \$0 through the biennium ending August 31, 2021.

Additionally, the bill will have a direct impact of a revenue loss to the Property Tax Relief Fund of (\$7,764,000) for the 2020-21 biennium. Any loss to the Property Tax Relief Fund must be made up with an equal amount of General Revenue to fund the Foundation School Program.

General Revenue-Related Funds, Five-Year Impact:

Fiscal Year	Probable Net Positive/(Negative) Impact to General Revenue Related Funds
2020	\$0
2021	\$0
2022	\$0
2023	\$0
2024	\$0

All Funds, Five-Year Impact:

Fiscal Year	Probable Revenue (Loss) from Property Tax Relief Fund 304
2020	\$0
2021	(\$7,764,000)
2022	(\$7,975,000)
2023	(\$8,200,000)
2024	(\$8,453,000)

Fiscal Analysis

The bill would add a new subchapter to Chapter 171 of the Tax Code to provide a franchise tax

credit for entities that employ certain students in eligible paid internships or similar programs.

The bill defines an eligible internship program as a paid internship or similar program that is part of the curriculum requirements for an endorsement under Section 28.025(c-1) of the Education Code or the curriculum for a public junior college. An eligible program must also meet the requirements of rules adopted under the bill by the Texas Workforce Commission.

The bill defines an eligible student as a student who has reached the minimum age required under Chapter 51 of the Labor Code, which is currently 14 years of age, and who is enrolled in a public high school or enrolled either full-time or part-time in a public junior college.

The amount of the credit would be \$1,000 for each eligible student who completes an eligible internship offered by the taxable entity. The bill would only allow taxable entities to claim the credit for completion of an eligible program that is located or based in this state. A taxable entity could not earn credit for a student who is related to the owner of the taxable entity within the third degree of consanguinity as determined under the Government Code.

The bill would require the Comptroller's Office to create a form for taxable entities to use for the credit application. A taxable entity could claim a credit against tax owed for a privilege period only in connection with an eligible student who completes an eligible internship during the privilege period.

The bill would take effect January 1, 2020, and only apply to a franchise tax report due on or after that date. The bill would also only allow a taxable entity to claim the credit in connection with an eligible student who completes an eligible internship program on or after the bill's effective date.

Methodology

The estimated fiscal impact of this bill is based on correspondence with several school districts and community college systems in major Texas cities, regarding the probable number of qualified paid internships in the state. There would be no fiscal impact in 2020 because an internship completed after the effective date of the bill would be claimed on a report due in 2021 or later.

The privilege period for a regular annual report is the calendar year which includes the due date for the report. For franchise tax calculations the report is based on activity that occurred during the taxable entity's accounting year ending prior to the beginning of the privilege period. The provisions of this bill would be an exception to that since the qualifying activity would be required to occur within the privilege period. The estimate assumes that a taxable entity who provides an eligible internship during a privilege period would claim the credit on an amended report.

Local Government Impact

No fiscal implication to units of local government is anticipated.

Source Agencies: 304 Comptroller of Public Accounts, 320 Texas Workforce Commission

LBB Staff: WP, KK, SD