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| BILL ANALYSIS |

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| C.S.H.B. 3777 |
| By: Noble |
| Ways & Means |
| Committee Report (Substituted) |

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| **BACKGROUND AND PURPOSE**  The franchise tax credit provided for certain historic preservation efforts is administered by the Texas Historical Commission and the comptroller of public accounts. Since the tax credit became effective, private sector use of the tax credit has been remarkable. However, it has been noted that a recent amendment in state tax law, intended to allow for the use of the franchise tax credit by certain nonprofit corporations, inadvertently created a loophole which could allow for the inappropriate use of the credit by taxing entities such as school districts, counties, and municipalities. C.S.H.B. 3777 seeks to close this loophole. |
| **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 this bill does not expressly grant any additional rulemaking authority to a state officer, department, agency, or institution. |
| **ANALYSIS**  C.S.H.B. 3777 amends the Tax Code to establish that expenditures by a nonprofit corporation exempt from federal income tax and the state franchise tax to rehabilitate a structure that is leased to a tax-exempt entity in a disqualified lease, as those terms are defined by federal law, are not costs and expenses eligible for a franchise tax credit for the certified rehabilitation of certified historic structures. |
| **EFFECTIVE DATE**  January 1, 2022. |
| **COMPARISON OF ORIGINAL AND SUBSTITUTE**  C.S.H.B. 3777 differs from the original in minor or nonsubstantive ways by conforming to certain bill drafting conventions. |
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