

By: Bernal

H.B. No. 3328

A BILL TO BE ENTITLED

AN ACT

relating to the 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.0001. 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.0051. DEVELOPMENT AND BIENNIAL MODIFICATION OF STATE AND LOCAL TAX PREFERENCE REVIEW SCHEDULE. (a) The comptroller shall:

(1) identify each state tax preference and each 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 preliminary report required by Section
3 320A.0151.

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

8 (c) In developing the schedule, the comptroller may
9 schedule:

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

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

15 (d) The comptroller shall revise the schedule biennially
16 only to:

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

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21 repealed or that expired after the comptroller developed the most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

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

26 (4) update the tax preferences identified under
27 Subsection (a)(3).

1 Sec. 320A.0052. PUBLIC COMMENT. The comptroller shall
2 provide a process by which the public may comment on the state and
3 local tax preference review schedule under Section 320A.0051. The
4 comptroller shall consider those comments in developing or revising
5 the schedule.

6 Sec. 320A.0053. SCHEDULE PROVIDED TO LEGISLATIVE BUDGET
7 BOARD. Not later than December 1 of each odd-numbered year, the
8 comptroller shall provide the state and local tax preference review
9 schedule under Section 320A.0051 to the Legislative Budget Board.

10 SUBCHAPTER C. REVIEW OF STATE AND LOCAL TAX PREFERENCES

11 Sec. 320A.0101. PERIODIC REVIEW OF TAX PREFERENCES. The
12 Legislative Budget Board shall periodically review each state tax
13 preference and each local tax preference according to the state and
14 local tax preference review schedule the comptroller provides under
15 Section 320A.0053. In reviewing a tax preference, the board shall:

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

18 (2) evaluate:

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

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

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

1 state.

2 Sec. 320A.0102. ADMINISTRATIVE SUPPORT. As requested by
3 the Legislative Budget Board, a state governmental entity shall
4 provide administrative support to the board as reasonable and
5 necessary for the board to perform the review required by Section
6 320A.0101.

7 SUBCHAPTER D. RECOMMENDATIONS REGARDING REVIEWED TAX PREFERENCES

8 Sec. 320A.0151. PRELIMINARY REPORT. Not later than
9 September 1 of each even-numbered year, the Legislative Budget
10 Board shall provide to the Senate Finance Committee, or its
11 successor, and the House Ways and Means Committee, or its
12 successor, a preliminary report on the reviews of tax preferences
13 conducted under Section 320A.0101. The report must include drafts
14 of any proposed legislation needed to implement the board's
15 recommendations.

16 Sec. 320A.0152. FINAL REPORT. 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.0151. Not later than December 1 of
21 each even-numbered year, the committees shall provide to the
22 governor, the lieutenant governor, and the speaker of the house of
23 representatives a final report on the reviews of tax preferences.

24 The final report must include:

25 (1) with respect to each tax preference examined, a
26 recommendation to:

27 (A) continue the tax preference;

1 (B) amend a provision relating to the tax
2 preference; or

3 (C) repeal the tax preference;

4 (2) a complete explanation of each recommendation
5 under Subdivision (1);

6 (3) proposed legislation necessary to implement the
7 findings of the final report; and

8 (4) a description of any changes to the preliminary
9 report that were made in the final report, including a description
10 of the reasons for each change.

11 Sec. 320A.0153. PUBLIC HEARING ON FINAL REPORT. The Senate
12 Finance Committee, or its successor, and the House Ways and Means
13 Committee, or its successor, shall hold a joint public hearing on
14 the final report and proposed legislation provided under Section
15 320A.0152.

16 SUBCHAPTER E. EXPIRATION OF TAX PREFERENCES

17 Sec. 320A.0201. EXPIRATION; REQUIRED STATEMENT. (a) A tax
18 preference that becomes law on or after January 1, 2022, expires
19 six years after the date the tax preference takes effect, unless the
20 legislature provides for an earlier or later expiration date. The
21 law enacting a tax preference described by this subsection must
22 include the following statement: "This tax preference expires six
23 years after its effective date unless the legislature provides for
24 an earlier or later expiration date." A tax preference described by
25 this subsection that does not include the required statement
26 expires as provided by this subsection.

27 (b) A tax preference that became law before January 1, 2022,

1 and that remains in effect on that date expires January 1, 2028,
2 unless the legislature provides for an earlier or later expiration
3 date.

4 SECTION 2. (a) Notwithstanding Section 320A.0053,
5 Government Code, as added by this Act, the comptroller of public
6 accounts shall submit the initial state and local tax preference
7 review schedule required by that section not later than January 15,
8 2022.

9 (b) The Legislative Budget Board shall submit the initial
10 preliminary report required by Section 320A.0151, Government Code,
11 as added by this Act, not later than September 1, 2022.

12 (c) The Senate Finance Committee and the House Ways and
13 Means Committee shall submit the initial final report required by
14 Section 320A.0152, Government Code, as added by this Act, not later
15 than December 1, 2022.

16 SECTION 3. This Act takes effect January 1, 2022, but only
17 if the constitutional amendment proposed by the 87th Legislature,
18 Regular Session, 2021, requiring the legislature to provide for a
19 periodic review of state and local tax preferences and providing
20 for the expiration of those tax preferences after six years, or at
21 another time prescribed by the legislature, is approved by the
22 voters. If that amendment is not approved by the voters, this Act
23 has no effect.