

BILL ANALYSIS

C.S.H.B. 3374

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International Relations & Economic Development

Committee Report (Substituted)

BACKGROUND AND PURPOSE

The Texas Enterprise Zone Program has several standards of eligibility, including a requirement that a qualifying employee has to perform at least 50 percent of their work at the business site. As a result of the COVID-19 pandemic, employers had to adapt their operations to allow employees to work from home. Some businesses that were designated as enterprise zone projects prior to the COVID-19 pandemic were not able to meet the requirement to have qualifying employees perform 50 percent of their work at the business site in order to be counted during the height of the pandemic. C.S.H.B. 3374 seeks to provide a temporary waiver of that requirement for an enterprise project with a designation period that includes all or a portion of a specified COVID relief period.

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. 3374 amends the Government Code to revise the definition of a "qualified employee" for purposes of the Texas Enterprise Zone Act by including the criteria that the employee is a Texas resident.

C.S.H.B. 3374 waives the requirement that an employee perform at least 50 percent of the person's service for a business at a qualified business site to be considered a "qualified employee" for an enterprise project with a designation period that includes all or a portion of the COVID relief period, which is the period beginning March 2, 2020, and ending December 31, 2021. The bill establishes that the waiver extends throughout the job retention period for those employees and applies only with respect to an employee who is a Texas resident. These provisions apply to any audit by the comptroller of public accounts of whether an enterprise project is eligible for a sales and use tax refund that is not finally completed before the bill's effective date and expire December 31, 2030.

EFFECTIVE DATE

On passage, or, if the bill does not receive the necessary vote, September 1, 2023.

COMPARISON OF INTRODUCED AND SUBSTITUTE

While C.S.H.B. 3374 may differ from the introduced in minor or nonsubstantive ways, the following summarizes the substantial differences between the introduced and committee substitute versions of the bill.

The substitute contains a provision not present in the introduced revising the definition of "qualified employee" for purposes of the Texas Enterprise Zone Act to include the criteria that the employee is a Texas resident.

The substitute changes the start date of the COVID relief period from March 1, 2020, as in the introduced, to March 2, 2020.

Both the introduced and the substitute provide for a waiver of the requirement that an employee perform at least 50 percent of the person's service for a business at a qualified business site to be considered a "qualified employee." However, while the introduced waived that requirement for an annual certification or job retention period that includes the COVID relief period, the substitute waives that requirement for an enterprise project with a designation period that includes all or a portion of the COVID relief period and establishes that the waiver extends throughout the job retention period. The substitute includes a provision absent from the introduced making the waiver applicable only with respect to an employee who is a Texas resident.

The substitute does not include the following provisions that were present in the introduced:

- an authorization for a qualified business in compliance with the Texas Enterprise Zone Act before the COVID relief period that is eligible for the waiver to elect to withdraw its project or activity from designation as an enterprise project by December 31, 2023;
- a provision making a qualified business that withdraws its enterprise project designation eligible for any refund of state taxes approved for the COVID relief period; and
- a requirement for the comptroller to waive the requirement for an enterprise project that qualifies for a sales and use tax refund to maintain a certain level of employment of qualified employees for a three-year period for a qualified business that did not meet the requirement that a qualified employee perform at least 50 percent of the person's service for the business at the qualified business site at any time during the COVID relief period.