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H.B. No. 1718

A BILL TO BE ENTITLED

AN ACT

relating to rural development funds and insurance tax credits for certain investments in those funds; authorizing fees.

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

SECTION 1. Subtitle F, Title 4, Government Code, is amended by adding Chapter 487A to read as follows:

CHAPTER 487A. RURAL DEVELOPMENT FUNDS

SUBCHAPTER A. GENERAL PROVISIONS

Sec. 487A.0001. GENERAL DEFINITIONS. In this chapter:

(1) "Closing date" means the date a rural development fund has collected all of the amounts described by Section 487A.0056(a)(1).

(2) "Historically underutilized business" means a business certified by the comptroller under Chapter 2161 as a historically underutilized business.

(3) "Rural area" means an area:

(A) other than a municipality with a population of more than 50,000 or an urbanized area contiguous and adjacent to the municipality; or

(B) determined to be rural in character by the United States Department of Agriculture.

(4) "Rural development fund" means an entity approved by the comptroller as a rural development fund.

Sec. 487A.0002. DEFINITION: AFFILIATE. (a) In this

1 chapter, "affiliate" means an entity that directly or indirectly
2 through one or more intermediaries controls, is controlled by, or
3 is under common control with another entity.

4 (b) For purposes of Subsection (a), an entity is controlled
5 by another entity if the controlling entity:

6 (1) holds, directly or indirectly, the majority voting
7 or ownership interest in the controlled entity; or

8 (2) has control over the day-to-day operations of the
9 controlled entity by contract or by law.

10 Sec. 487A.0003. DEFINITION: CREDIT-ELIGIBLE CAPITAL
11 CONTRIBUTION. (a) In this chapter and subject to Subsection (b),
12 "credit-eligible capital contribution" means an investment of cash
13 that equals the amount specified on a tax credit certificate issued
14 by the comptroller under Section 487A.0055(2) made by an entity
15 that is subject to state insurance tax liability, as defined by
16 Section 232.0001, Insurance Code.

17 (b) An investment made by an entity qualifies as a
18 credit-eligible capital contribution only if the entity making the
19 investment receives in exchange for the investment:

20 (1) an equity interest in a rural development fund; or

21 (2) at par value or premium, a debt instrument that has
22 a maturity date of at least five years from the closing date and a
23 repayment schedule that is no faster than level principal
24 amortization over five years.

25 Sec. 487A.0004. DEFINITION: GROWTH INVESTMENT. (a) In
26 this chapter and subject to Subsection (b), "growth investment"
27 means any capital or equity investment by a rural development fund

1 in a targeted small business or any loan by a rural development fund
2 to a targeted small business with a stated maturity date of at least
3 one year after the date of issuance.

4 (b) A loan by a rural development fund to a targeted small
5 business is a growth investment only if the targeted small business
6 obtains an affidavit from the chief executive officer or equivalent
7 position of the targeted small business attesting that the targeted
8 small business sought and was denied similar financing from a
9 commercial bank.

10 Sec. 487A.0005. DEFINITION: INVESTMENT AUTHORITY. (a) In
11 this chapter, "investment authority" means the amount stated on the
12 notice issued under Section 487A.0055(1) approving the rural
13 development fund.

14 (b) At least 65 percent of a rural development fund's
15 investment authority must consist of credit-eligible capital
16 contributions.

17 Sec. 487A.0006. DEFINITION: JOBS CREATED. (a) In this
18 chapter, "jobs created" means, with respect to a targeted small
19 business, employment positions that:

20 (1) are created by the targeted small business;
21 (2) are located in this state;
22 (3) require at least 35 hours of work each week; and
23 (4) were not located in this state at the time of the
24 initial growth investment in the targeted small business.

25 (b) The number of jobs created by a targeted small business
26 is calculated each year by subtracting the number of employment
27 positions in this state at the targeted small business at the time

1 of the initial growth investment in the targeted small business
2 from the monthly average of those employment positions for that
3 year. If the number calculated under this subsection is less than
4 zero, the number shall be reported as zero.

5 (c) The monthly average of employment positions for a year
6 is calculated by adding the number of employment positions existing
7 on the last day of each month of the year and dividing that sum by
8 12.

9 (d) An employment position that meets the requirements of
10 Subsection (a) shall be multiplied by two for purposes of
11 calculating the number of jobs created by a targeted small business
12 if the targeted small business is located in a rural area and is a
13 historically underutilized business.

14 Sec. 487A.0007. DEFINITION: JOBS RETAINED. (a) In this
15 chapter, "jobs retained" means, with respect to a targeted small
16 business, employment positions that:

17 (1) are located in this state, require at least 35
18 hours of work each week, and existed before the initial growth
19 investment in the targeted small business; and

20 (2) would have been lost or moved out of this state had
21 a growth investment in the targeted small business not been made, as
22 certified in writing by an executive officer of the targeted small
23 business to the rural development fund.

24 (b) The number of jobs retained by a targeted small business
25 is calculated each year based on the monthly average of employment
26 positions for that year.

27 (c) The monthly average of employment positions for a year

1 is calculated by adding the number of employment positions existing
2 on the last day of each month of the year and dividing that sum by
3 12.

4 (d) The reported number of jobs retained for a year may not
5 exceed the number reported on the initial report under Section
6 487A.0156. The rural development fund shall reduce the number of
7 jobs retained for a year if employment at the targeted small
8 business is less than the number reported on the initial report.

9 (e) An employment position that meets the requirements of
10 Subsection (a) shall be multiplied by two for purposes of
11 calculating the number of jobs retained by a targeted small
12 business if the targeted small business is located in a rural area
13 and is a historically underutilized business.

14 Sec. 487A.0008. DEFINITION: TARGETED SMALL BUSINESS. (a)
15 In this chapter, "targeted small business" means a business that,
16 at the time of the initial growth investment in the business:

17 (1) had fewer than 250 employees, including any
18 persons who would be considered employees under the federal law to
19 which 13 C.F.R. Section 121.103(h)(2) applies as a result of the
20 application of that provision; and

21 (2) has its principal business operations located in
22 this state.

23 (b) For purposes of this chapter, the principal business
24 operations of a business are located at a place where:

25 (1) at least 80 percent of the business's employees
26 work; or

27 (2) employees who are paid at least 80 percent of the

1 business's payroll work.

2 (c) An out-of-state business that agrees to relocate or hire
3 new employees using the proceeds of a growth investment to
4 establish principal business operations in this state qualifies as
5 a targeted small business if the business satisfies the
6 requirements of:

7 (1) Subsection (a)(1) at the time of the initial
8 growth investment in the business; and

9 (2) Subsection (a)(2) not later than the 180th day
10 after receiving the initial growth investment or a later date
11 agreed to by the comptroller.

12 Sec. 487A.0009. RULES. The comptroller shall adopt rules
13 necessary to implement, monitor, and evaluate this chapter.

14 Sec. 487A.0010. DISPOSITION OF FEES. Application fees
15 submitted under Section 487A.0051(b)(7), amounts remitted under
16 Section 487A.0151(e), and participation fees collected under
17 Section 487A.0157 shall be deposited to the credit of the general
18 revenue fund and may be appropriated only to the comptroller for the
19 purpose of administering this chapter and Chapter 232, Insurance
20 Code.

21 SUBCHAPTER B. APPROVAL OF RURAL DEVELOPMENT FUNDS; TAX CREDIT

22 CERTIFICATES

23 Sec. 487A.0051. APPLICATION. (a) Subject to Section
24 487A.0202, the comptroller shall accept applications from entities
25 seeking approval as rural development funds.

26 (b) An application must include:

27 (1) the total investment authority sought by the

applicant under the applicant's business plan;

(2) evidence sufficient to prove to the comptroller's satisfaction that, as of the date the applicant submits the application:

(A) the applicant or affiliates of the applicant have invested, in the aggregate, at least \$100 million in nonpublic companies located in the United States, including at least \$70 million in nonpublic companies located in rural areas in the United States; and

(B) either:

(i) at least one principal in a rural business investment company licensed under 7 U.S.C. Section 2009cc et seq. or a small business investment company licensed under 15 U.S.C. Section 681 is, and has been for at least four years, an officer or employee of the applicant or of an affiliate of the applicant on the date the application is submitted; or

(ii) the applicant or an affiliate of the applicant has maintained its principal business operations in this state for at least four years preceding September 1, 2023;

(3) a copy of the rural business investment company license or small business investment company license if required by Subdivision (2)(B)(i);

(4) an estimate of the number of jobs created and jobs retained that will result from the applicant's growth investments;

(5) a business plan that includes a revenue impact assessment that:

(A) projects state and local tax revenue to be

1 generated by the applicant's proposed growth investments; and

2 (B) is prepared by a nationally recognized
3 third-party independent economic forecasting firm using a dynamic
4 economic forecasting model that analyzes the applicant's business
5 plan for the 10-year period following the date the applicant
6 submits the application;

7 (6) a signed affidavit from each committed investor
8 stating the amount of credit-eligible capital contributions the
9 investor commits to making; and

10 (7) a nonrefundable application fee of \$5,000.

11 Sec. 487A.0052. DECISION ON APPLICATION. (a) The
12 comptroller shall make a determination on each application not
13 later than the 30th day after the date the comptroller receives the
14 application. The comptroller shall make application
15 determinations in the order in which applications are received and
16 shall consider applications received on the same day to be received
17 simultaneously.

18 (b) The comptroller shall approve up to \$300 million of
19 investment authority under this chapter.

20 (c) If a request for investment authority exceeds the limit
21 under Subsection (b), the comptroller shall reduce the investment
22 authority and the credit-eligible capital contributions for that
23 application as necessary to avoid exceeding the limit. If multiple
24 applications received on the same day request a combined investment
25 authority that exceeds the limit under Subsection (b), the
26 comptroller shall proportionally reduce the investment authority
27 and the credit-eligible capital contributions for those

1 applications as necessary to avoid exceeding the limit. The
2 comptroller may not reduce an applicant's investment authority for
3 any reason other than as authorized by this subsection.

4 Sec. 487A.0053. GROUNDS FOR DENIAL. The comptroller may
5 deny an application under this subchapter only if:

6 (1) the application is incomplete or the application
7 fee is not paid in full;

8 (2) the applicant fails to satisfy the requirements of
9 Section 487A.0051(b)(2);

10 (3) the revenue impact assessment submitted under
11 Section 487A.0051(b)(5) does not demonstrate that the applicant's
12 business plan will result in a positive economic impact on combined
13 state and local revenue during the 10-year period covered by the
14 assessment that exceeds the cumulative amount of tax credits that
15 would be issued to the applicant's investors under Chapter 232,
16 Insurance Code, if the application were approved;

17 (4) the credit-eligible capital contributions
18 described in affidavits submitted under Section 487A.0051(b)(6) do
19 not equal at least 65 percent of the total amount of investment
20 authority sought under the applicant's business plan; or

21 (5) the comptroller has already approved the maximum
22 amount of investment authority allowed under Section 487A.0052(b).

23 Sec. 487A.0054. SUBMISSION OF ADDITIONAL INFORMATION
24 FOLLOWING DENIAL. (a) If the comptroller denies an application,
25 the applicant may, not later than the 15th day after the date the
26 comptroller provides notice of denial, provide additional
27 information to the comptroller to complete, clarify, or cure

1 defects in the application identified by the comptroller.

2 (b) If the applicant completes, clarifies, or cures the
3 defects in its application during the period prescribed by
4 Subsection (a), the application is considered complete as of the
5 original submission date.

6 (c) If the applicant fails to complete, clarify, or cure the
7 defects in its application during the period prescribed by
8 Subsection (a), the application is finally denied. An applicant
9 who wishes to reapply must resubmit an application in full with a
10 new submission date.

11 (d) The comptroller shall review and reconsider an
12 application described by Subsection (a) for which the applicant
13 provides additional information not later than the 30th day after
14 the date the applicant provides the information. The comptroller
15 shall consider that application before any pending applications
16 submitted after the date that application was originally submitted.

17 (e) This section does not apply to an application denied as
18 a result of the applicant's failure to submit with the application
19 affidavits required by Section 487A.0051(b)(6).

20 Sec. 487A.0055. APPROVAL BY COMPTROLLER. On approval of an
21 application, the comptroller shall provide:

22 (1) written notice to the applicant of the applicant's
23 approval as a rural development fund, including the amount of the
24 fund's investment authority; and

25 (2) a tax credit certificate to each investor whose
26 affidavit was included in the application and include on the
27 certificate the amount of the investor's credit-eligible capital

1 contribution.

2 Sec. 487A.0056. DUTIES OF FUND FOLLOWING APPROVAL. (a) A
3 rural development fund shall:

4 (1) not later than the 60th day after the date the fund
5 receives the approval notice under Section 487A.0055:

6 (A) collect the credit-eligible capital
7 contribution from each investor issued a tax credit certificate
8 under Section 487A.0055; and

9 (B) subject to Subsection (b), collect one or
10 more investments of cash that, when added to the contributions
11 collected under Paragraph (A), equal the fund's investment
12 authority; and

13 (2) not later than the 65th day after the date the fund
14 receives the approval notice under Section 487A.0055, send to the
15 comptroller documentation sufficient to prove that the fund has
16 collected the amounts described in Subdivision (1).

17 (b) At least 10 percent of the rural development fund's
18 investment authority must consist of equity investments
19 contributed directly or indirectly by affiliates of the fund,
20 including employees, officers, and directors of those affiliates.

21 Sec. 487A.0057. LAPSE OF APPROVAL. (a) If a rural
22 development fund fails to comply with the requirements of Section
23 487A.0056, the fund's approval lapses and the corresponding
24 investment authority described by Section 487A.0056(a)(1) does not
25 count toward the limit prescribed by Section 487A.0052(b).

26 (b) The comptroller shall first award lapsed investment
27 authority pro rata to each rural development fund whose requested

investment authority was reduced under Section 487A.0052(c). The rural development fund may allocate the investment authority awarded under this subsection to the fund's investors in the fund's discretion. The comptroller may award any remaining investment authority to new applicants.

SUBCHAPTER C. REDUCTION OR REVOCATION OF TAX CREDITS AND INVESTMENT AUTHORITY

Sec. 487A.0101. REDUCTION OF TAX CREDITS AND INVESTMENT AUTHORITY FOR FAILURE TO MAKE REQUIRED GROWTH INVESTMENTS. (a) The comptroller shall reduce the amount of the tax credit on each tax credit certificate issued under Subchapter B in connection with an investment in a rural development fund if the fund fails to invest at least 60 percent of the fund's investment authority in growth investments in this state on or before the second anniversary of the closing date. The amount of the reduction under this subsection for each tax credit certificate is equal to the amount of the tax credit stated on the tax credit certificate, multiplied by a fraction:

(1) the numerator of which is equal to 60 percent, less the percentage of the rural development fund's investment authority invested in growth investments in this state on the second anniversary of the closing date; and

(2) the denominator of which is 60 percent.

(b) The comptroller shall reduce a rural development fund's investment authority by an amount equal to the total amount of reductions under Subsection (a) for all tax credit certificates.

(c) The comptroller shall reduce the amount of the tax credit on each tax credit certificate issued under Subchapter B in

1 connection with an investment in a rural development fund if the
2 fund fails to invest 100 percent of the fund's investment authority
3 in growth investments in this state on or before the third
4 anniversary of the closing date. The amount of the reduction under
5 this subsection for each tax credit certificate is equal to the
6 amount of the tax credit stated on the tax credit certificate
7 remaining after any reduction under Subsection (a), multiplied by a
8 fraction:

9 (1) the numerator of which is equal to 100 percent,
10 less the percentage of the rural development fund's investment
11 authority remaining after any reduction under Subsection (b) that
12 is invested in growth investments in this state on the third
13 anniversary of the closing date; and

14 (2) the denominator of which is 100 percent.

15 (d) The comptroller shall reduce a rural development fund's
16 investment authority by an amount equal to the total amount of
17 reductions under Subsection (c) for all tax credit certificates.

18 (e) For purposes of this section:

19 (1) the amount of growth investments that a rural
20 development fund may count with respect to a particular targeted
21 small business, including any amount invested in an affiliate of
22 the targeted small business, may not exceed \$5 million; and

23 (2) all growth investments must consist of growth
24 investments in targeted small businesses whose principal business
25 operations are located in, or are relocated to, a rural area in this
26 state.

27 Sec. 487A.0102. REDUCTION OF TAX CREDITS AND INVESTMENT

1 AUTHORITY FOR FAILURE TO MAINTAIN REQUIRED GROWTH INVESTMENTS. (a)
2 The comptroller shall reduce the amount of the tax credit on each
3 tax credit certificate issued under Subchapter B in connection with
4 an investment in a rural development fund if, after the third
5 anniversary of the closing date and before the sixth anniversary of
6 the closing date, the fund fails to maintain growth investments in
7 this state equal to 100 percent of the fund's investment authority
8 remaining after any reductions under Sections 487A.0101(b) and (d).

9 The amount of the reduction under this subsection for each tax
10 credit certificate is equal to the amount of the tax credit stated
11 on the tax credit certificate remaining after any reductions under
12 Sections 487A.0101(a) and (c), multiplied by a fraction:

13 (1) the numerator of which is equal to 100 percent,
14 less the percentage of the rural development fund's investment
15 authority remaining after any reductions under Sections
16 487A.0101(b) and (d) that is invested in growth investments in this
17 state on the date of the reduction; and

18 (2) the denominator of which is 100 percent.

19 (b) The comptroller shall reduce a rural development fund's
20 investment authority by an amount equal to the total amount of
21 reductions under Subsection (a) for all tax credit certificates.

22 (c) For purposes of this section:

23 (1) the amount of growth investments that a rural
24 development fund may count with respect to a particular targeted
25 small business, including any amount invested in an affiliate of
26 the targeted small business, may not exceed \$7.5 million;

27 (2) an investment that is sold or repaid is considered

1 to be maintained if the rural development fund reinvests an amount
2 equal to the capital returned or recovered by the fund from the
3 original investment, excluding any profit realized, in other growth
4 investments in this state on or before the first anniversary of the
5 date the capital is returned or recovered; and

6 (3) an amount received periodically by a rural
7 development fund is considered to be continually invested in growth
8 investments if that amount is reinvested in one or more growth
9 investments by the end of the calendar year following the year of
10 receipt.

11 Sec. 487A.0103. REVOCATION OF TAX CREDITS AND INVESTMENT
12 AUTHORITY FOR CERTAIN DISTRIBUTIONS OR PAYMENTS. (a) The
13 comptroller shall revoke each tax credit certificate issued under
14 Subchapter B in connection with an investment in a rural
15 development fund if, before the fund exits the program under
16 Section 487A.0151, the fund makes a distribution or payment that
17 results in the fund having less than the portion of the fund's
18 investment authority required to be invested in growth investments
19 in this state under Sections 487A.0101 and 487A.0102:

20 (1) invested in growth investments in this state; or
21 (2) available for investment in growth investments and
22 held in:

23 (A) cash;
24 (B) United States Treasury securities;
25 (C) bonds or notes issued by this state or an
26 agency or political subdivision of this state; or
27 (D) a deposit account with a depository

1 institution headquartered or chartered in this state.

2 (b) The comptroller shall revoke a rural development fund's
3 investment authority if the comptroller revokes tax credit
4 certificates under Subsection (a).

5 Sec. 487A.0104. REDUCTION OF TAX CREDITS AND INVESTMENT
6 AUTHORITY FOR RELATED-PARTY INVESTMENTS. (a) The comptroller shall
7 reduce the amount of the tax credit on each tax credit certificate
8 issued under Subchapter B in connection with an investment in a
9 rural development fund if, before the fund exits the program under
10 Section 487A.0151, the fund makes a growth investment in a targeted
11 small business that directly or indirectly through an affiliate
12 owns, has the right to acquire an ownership interest in, makes a
13 loan to, or makes an investment in the fund, an affiliate of the
14 fund, or an investor in the fund.

15 (b) The amount of the reduction under Subsection (a) for
16 each tax credit certificate is equal to the amount of the tax credit
17 stated on the tax credit certificate remaining after any reductions
18 under Sections 487A.0101(a) and (c), multiplied by a fraction:

19 (1) the numerator of which is the portion of the rural
20 development fund's investment authority remaining after any
21 reductions under Sections 487A.0101(b) and (d) that is invested in
22 growth investments in targeted small businesses described by
23 Subsection (a); and

24 (2) the denominator of which is the total amount of the
25 rural development fund's investment authority remaining after any
26 reductions under Sections 487A.0101(b) and (d).

27 (c) The comptroller shall reduce a rural development fund's

1 investment authority by an amount equal to the total amount of
2 reductions under Subsection (a) for all tax credit certificates.

3 (d) Subsection (a) does not apply to investments in publicly
4 traded securities by a targeted small business or an owner or
5 affiliate of the targeted small business. For purposes of
6 Subsection (a), a rural development fund is not considered an
7 affiliate of a targeted small business solely as a result of the
8 fund's growth investment in the targeted small business.

9 Sec. 487A.0105. OPPORTUNITY TO CORRECT VIOLATION. (a)
10 Before reducing or revoking a tax credit and investment authority
11 under this subchapter, the comptroller shall notify the rural
12 development fund of the reasons for the pending reduction or
13 revocation.

14 (b) The rural development fund may, not later than the 90th
15 day after the date the notice is received, correct any violation
16 outlined in the notice to the satisfaction of the comptroller and
17 avoid reduction or revocation of the tax credit and investment
18 authority.

19 Sec. 487A.0106. ALLOCATION OF REVOKED INVESTMENT
20 AUTHORITY. (a) The amount of investment authority reduced or
21 revoked under this subchapter does not count toward the limit on
22 total investment authority described in Section 487A.0052(b).

23 (b) The comptroller shall first award reduced or revoked
24 investment authority pro rata to each rural development fund whose
25 requested investment authority was reduced under Section
26 487A.0052(c). The comptroller may award any remaining investment
27 authority to new applicants.

SUBCHAPTER D. CERTAIN FUND OPERATIONS

Sec. 487A.0151. APPLICATION TO EXIT PROGRAM. (a) On or after the sixth anniversary of the closing date, a rural development fund may apply to the comptroller to exit the program and no longer be subject to regulation under this chapter. An application to exit the program must be in a form and comply with procedures prescribed by the comptroller and include a calculation of the state reimbursement amount as provided by Section 487A.0153.

(b) The comptroller shall respond to the application not later than the 30th day after receipt and include confirmation of the state reimbursement amount.

(c) A rural development fund is eligible to exit the program under this section if no tax credit certificates related to investments in the fund have been reduced or revoked and the fund has not received any reduction or revocation notice that has not been corrected under Section 487A.0105.

(d) The comptroller may not unreasonably deny an application under this section. The comptroller shall give the rural development fund notice of a denial and include in the notice the reasons for the denial.

(e) Not later than the 60th day after the date the rural development fund receives confirmation of the state reimbursement amount under Subsection (b), the fund shall remit to the comptroller an amount of money equal to the lesser of:

(1) the excess return determined under Section 487A.0152; or

(2) the state reimbursement amount determined under

1 Section 487A.0153.

2 Sec. 487A.0152. CALCULATION OF EXCESS RETURN. (a) For
3 purposes of Section 487A.0151, a rural development fund's excess
4 return is determined by computing the difference between:

5 (1) the sum of:

6 (A) the present value of all growth investments
7 and other assets held by the fund on the date the fund applies to
8 exit the program under Section 487A.0151; and

9 (B) all amounts distributed to the equity holders
10 of the fund before the fund applies to exit the program under
11 Section 487A.0151; and

12 (2) the sum of:

13 (A) the amount of the fund's original investment
14 authority; and

15 (B) an amount equal to any projected increase in
16 the federal or state tax liability of equity holders of the fund,
17 including penalties and interest, related to the equity holders'
18 ownership, management, or operation of the fund.

19 (b) If the amount computed under Subsection (a) is less than
20 zero, the excess return is equal to zero.

21 Sec. 487A.0153. CALCULATION OF STATE REIMBURSEMENT AMOUNT.
22 For purposes of Section 487A.0151, a rural development fund's state
23 reimbursement amount is determined by computing the difference
24 between:

25 (1) 50 percent of the fund's credit-eligible capital
26 contributions; and

27 (2) the product of:

1 (A) the sum of the annual jobs created and jobs
2 retained as a result of the fund's growth investments as reported to
3 the comptroller under Section 487A.0156; and

4 (B) \$20,000.

5 Sec. 487A.0154. NO REDUCTION OR REVOCATION FOLLOWING EXIT.
6 The comptroller may not reduce or revoke the amount of a tax credit
7 on a tax credit certificate related to an investment in a rural
8 development fund after the fund's exit from the program.

9 Sec. 487A.0155. EVALUATION OF PROPOSED INVESTMENT. (a) A
10 rural development fund, before making a growth investment, may
11 request from the comptroller a written opinion as to whether the
12 business in which the fund proposes to invest qualifies as a
13 targeted small business.

14 (b) Not later than the 15th business day after receiving the
15 request, the comptroller shall notify the rural development fund of
16 its determination.

17 (c) If the comptroller fails to notify the rural development
18 fund of its determination on or before the 15th business day after
19 receiving the request, the business in which the fund proposes to
20 invest is considered to be a targeted small business for purposes of
21 this chapter.

22 Sec. 487A.0156. ANNUAL REPORT. (a) A rural development
23 fund shall submit a report to the comptroller on or before the fifth
24 business day after each anniversary of the closing date until the
25 fund has exited the program under Section 487A.0151.

26 (b) The report must document the rural development fund's
27 growth investments and include:

1 (1) a bank statement showing each growth investment;

2 (2) the name, location, and industry of each business
3 receiving a growth investment, including either the determination
4 notice described by Section 487A.0155 or evidence that the business
5 qualified as a targeted small business at the time the investment
6 was made;

7 (3) the number of jobs created and jobs retained in the
8 preceding calendar year as a result of the fund's growth
9 investments as of the last day of that period;

10 (4) the average annual salary of the jobs described by
11 Subdivision (3) and evidence of any other monetary or social
12 benefit to this state as a result of those jobs;

13 (5) a description, including the amount, of each
14 growth investment in a targeted small business located in a rural
15 area made in the 24 months following the closing date; and

16 (6) any other information the comptroller requires.

17 (c) A rural development fund may, but is not required to,
18 include in any report submitted under this section information
19 about the number of jobs created and jobs retained with respect to a
20 former growth investment that the fund has exited.

21 Sec. 487A.0157. PARTICIPATION FEE. (a) A rural
22 development fund that has not exited the program under Section
23 487A.0151 before the first day of a state fiscal year shall remit to
24 the comptroller a participation fee in connection with the state
25 fiscal year in an amount determined under Subsection (b)(2) to
26 offset the fiscal impact to the comptroller of administering the
27 program. The comptroller shall prescribe the date on which the fee

1 payment is due.

2 (b) For each state fiscal year, the comptroller shall
3 determine:

4 (1) the costs incurred by the comptroller to
5 administer this chapter and Chapter 232, Insurance Code, less the
6 amount of application fees submitted under Section 487A.0051(b)(7)
7 and amounts remitted under Section 487A.0151(e); and

8 (2) the amount of the participation fee each rural
9 development fund described by Subsection (a) is required to pay in
10 connection with the state fiscal year, which is computed by
11 multiplying the amount determined under Subdivision (1) for the
12 state fiscal year by a fraction:

13 (A) the numerator of which is the amount of the
14 rural development fund's investment authority; and

15 (B) the denominator of which is the total amount
16 of investment authority for all rural development funds required to
17 pay a fee under Subsection (a) in connection with the state fiscal
18 year.

19 SUBCHAPTER E. REPORT; CONDITIONS FOR ACCEPTANCE OF CERTAIN
20 APPLICATIONS

21 Sec. 487A.0201. REPORT. (a) Before the beginning of the
22 91st Legislature, Regular Session, the comptroller shall submit to
23 the lieutenant governor, the speaker of the house of
24 representatives, and each other member of the legislature a report
25 on the economic benefits of this chapter.

26 (b) The report must include an assessment of:

27 (1) the aggregate effects of growth investments made

under this chapter, including:

(A) the total number of jobs created by all targeted small businesses, including direct jobs, indirect jobs, and induced jobs;

(B) the total number of jobs retained by all targeted small businesses;

(C) the total amount of wages paid in connection with jobs created and jobs retained by all targeted small businesses;

(D) the median wage of jobs created and jobs retained by all targeted small businesses;

(E) the total effect on personal income in this state, including direct and indirect effects;

(F) the total amount of growth investments;

(G) the gross domestic product of this state attributable to targeted small businesses;

(H) the total taxable value of property of targeted small businesses in this state according to tax appraisal rolls;

(I) the total positive fiscal effect on this state and local governments in this state; and

(J) the total number and dollar amount of growth investments in targeted small businesses located in rural areas;

(2) the benefits to this state from cost savings attributable to jobs created and jobs retained by all targeted small businesses, including:

(A) Medicaid savings, with savings to this state

and the federal government listed separately;

(B) food assistance program savings;

(C) unemployment insurance payment savings; and

(D) any other savings that can be reasonably estimated using data available to the comptroller in connection with some or all targeted small businesses; and

(3) the total positive fiscal effect on this state and local governments in this state of the benefits described by Subdivision (2).

(c) The report may not include information that is confidential by law.

(d) In preparing the portion of the report described by Subsection (b)(1), the comptroller shall:

(1) use standard, nationally recognized economic estimation techniques, including economic multipliers; and

(2) base the assessment on data submitted to the comptroller by each rural development fund.

Sec. 487A.0202. CONDITIONS FOR ACCEPTANCE OF CERTAIN APPLICATIONS. (a) The comptroller may not accept applications under Section 487A.0051 after January 1, 2024, unless the total positive fiscal effects described by Section 487A.0201(b) exceed the sum of all tax credit certificates issued by the comptroller under Subchapter B.

(b) The comptroller shall resume accepting applications under Section 487A.0051 when the condition provided by Subsection (a) is satisfied.

SECTION 2. Subtitle B, Title 3, Insurance Code, is amended

by adding Chapter 232 to read as follows:

CHAPTER 232. TAX CREDIT FOR INVESTMENT IN RURAL DEVELOPMENT FUND

SUBCHAPTER A. GENERAL PROVISIONS

Sec. 232.0001. DEFINITIONS. In this chapter:

(1) "Affiliate" has the meaning assigned by Section 487A.0002, Government Code.

(2) "Closing date" has the meaning assigned by Section 487A.0001, Government Code.

(3) "State insurance tax liability" means any tax liability incurred under Chapter 221, 222, 223, 223A, 224, 225, 226, or 281.

Sec. 232.0002. RULES. The comptroller shall adopt rules necessary to implement this chapter.

SUBCHAPTER B. TAX CREDIT

Sec. 232.0051. ELIGIBILITY FOR CREDIT. An entity is eligible for a credit against the entity's state insurance tax liability in the amount and under the conditions provided by this chapter.

Sec. 232.0052. QUALIFICATION. An entity is eligible for a credit for a tax year if the entity holds a tax credit certificate issued under Section 487A.0055, Government Code, and the third, fourth, fifth, or sixth anniversary of the closing date in connection with which the certificate was issued occurs during the tax year.

Sec. 232.0053. AMOUNT OF CREDIT; LIMITATION. (a) The amount of credit for a tax year in connection with a tax credit certificate described by Section 232.0052 is equal to 25 percent of

1 the amount of the credit-eligible capital contribution stated on
2 the certificate.

3 (b) The total credit claimed for a tax year, including the
4 amount of any carryforward under Section 232.0054, may not exceed
5 the amount of state insurance tax liability due for the entity for
6 the tax year after applying all other applicable tax credits.

7 (c) Credits may be applied to the entity's estimated or
8 final tax payments for the tax year.

9 Sec. 232.0054. CARRYFORWARD. If an entity is eligible for a
10 credit that exceeds the limitation under Section 232.0053(b), the
11 entity may carry the unused credit forward and apply the credit to a
12 subsequent tax report.

13 Sec. 232.0055. ASSIGNMENT PROHIBITED. (a) Except as
14 provided by Subsection (b), an entity may not convey, assign, or
15 transfer the credit allowed under this chapter to another entity.

16 (b) An entity may convey, assign, or transfer the credit
17 allowed under this chapter to an affiliate of the entity that is
18 subject to state insurance tax liability.

19 Sec. 232.0056. RETALIATORY TAX. An entity claiming a
20 credit under this chapter is not required to pay any additional
21 retaliatory tax levied under Chapter 281 as a result of claiming
22 that credit.

23 SUBCHAPTER C. RECAPTURE OF CREDIT

24 Sec. 232.0101. RECAPTURE. The comptroller shall recapture
25 the amount of a credit claimed on a tax report filed under Chapter
26 221, 222, 223, 223A, 224, 225, 226, or 281 from an entity if the
27 amount of the tax credit on the tax credit certificate on which the

1 credit is based is reduced or revoked under Subchapter C, Chapter
2 487A, Government Code. The comptroller shall recapture an amount
3 equal to the amount by which the credit previously claimed exceeds
4 the amount of the reduction or revocation.

5 SECTION 3. It is the intent of the legislature that each
6 growth investment in a targeted small business made by a rural
7 development fund under Chapter 487A, Government Code, as added by
8 this Act:

9 (1) provide patient, growth-oriented investment
10 capital for purposes including expansion, payroll, inventory, and
11 training; and

12 (2) be at a below market rate with flexible terms,
13 which offers the targeted small business an affordable and
14 borrower-friendly financing alternative.

15 SECTION 4. (a) As soon as practicable after this Act
16 becomes law as provided by Section 2001.006, Government Code, the
17 comptroller of public accounts shall adopt rules necessary to
18 implement Chapter 487A, Government Code, as added by this Act, and
19 Chapter 232, Insurance Code, as added by this Act.

20 (b) Not later than October 1, 2023, the comptroller of
21 public accounts shall begin accepting applications under Section
22 487A.0051(a), Government Code, as added by this Act.

23 SECTION 5. Chapter 232, Insurance Code, as added by this
24 Act, applies only to a tax report originally due on or after January
25 1, 2023.

26 SECTION 6. This Act takes effect immediately if it receives
27 a vote of two-thirds of all the members elected to each house, as

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1 provided by Section 39, Article III, Texas Constitution. If this
2 Act does not receive the vote necessary for immediate effect, this
3 Act takes effect September 1, 2023.