

By: Ashby

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 credit-eligible capital contributions required by Section 487A.0056(a)(1).

(2) "Growth investment" means any capital or equity investment by a rural development fund in a targeted small business or any loan by a rural development fund to a targeted small business with a stated maturity date of at least one year after the date of issuance.

(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

1 by the comptroller as a rural development fund.

2 Sec. 487A.0002. DEFINITION: AFFILIATE. (a) In this  
3 chapter, "affiliate" means an entity that directly or indirectly  
4 through one or more intermediaries controls, is controlled by, or  
5 is under common control with another entity.

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

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

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

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

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

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

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

27 Sec. 487A.0004. DEFINITION: INVESTMENT AUTHORITY. (a) In

1 this chapter, "investment authority" means the amount stated on the  
2 notice issued under Section 487A.0055(1) approving the rural  
3 development fund.

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

7 Sec. 487A.0005. DEFINITION: JOBS CREATED. (a) In this  
8 chapter, "jobs created" means, with respect to a targeted small  
9 business, employment positions that:

- 10 (1) are created by the targeted small business;  
11 (2) are located in this state;  
12 (3) require at least 35 hours of work each week; and  
13 (4) were not located in this state at the time of the  
14 initial growth investment in the targeted small business.

15 (b) The number of jobs created by a targeted small business  
16 is calculated each year by subtracting the number of employment  
17 positions in this state at the targeted small business at the time  
18 of the initial growth investment in the targeted small business  
19 from the monthly average of those employment positions for that  
20 year. If the number calculated under this subsection is less than  
21 zero, the number shall be reported as zero.

22 (c) The monthly average of employment positions for a year  
23 is calculated by adding the number of employment positions existing  
24 on the last day of each month of the year and dividing that sum by  
25 12.

26 Sec. 487A.0006. DEFINITION: JOBS RETAINED. (a) In this  
27 chapter, "jobs retained" means, with respect to a targeted small

1 business, employment positions that:

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

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

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

12 (c) The monthly average of employment positions for a year  
13 is calculated by adding the number of employment positions existing  
14 on the last day of each month of the year and dividing that sum by  
15 12.

16 (d) The reported number of jobs retained for a year may not  
17 exceed the number reported on the initial report under Section  
18 487A.0154. The rural development fund shall reduce the number of  
19 jobs retained for a year if employment at the targeted small  
20 business is less than the number reported on the initial report.

21 Sec. 487A.0007. DEFINITION: TARGETED SMALL BUSINESS. (a)  
22 In this chapter, "targeted small business" means a business that,  
23 at the time of the initial growth investment in the business:

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

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

3           (b) For purposes of Subsection (a)(2), the principal  
4 business operations of a business are located at a place where:

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

7           (2) employees who are paid at least 80 percent of the  
8 business's payroll work.

9           (c) An out-of-state business that agrees to relocate or hire  
10 new employees using the proceeds of a growth investment to  
11 establish principal business operations in this state qualifies as  
12 a targeted small business if the business satisfies the  
13 requirements of:

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

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

19           Sec. 487A.0008. RULES. The comptroller shall adopt rules  
20 necessary to implement this chapter.

21           Sec. 487A.0009. DISPOSITION OF FEES. Application fees  
22 submitted under Section 487A.0051(b)(7) and participation fees  
23 collected under Section 487A.0155 shall be deposited to the credit  
24 of the general revenue fund and may be appropriated only to the  
25 comptroller for the purpose of administering this chapter and  
26 Chapter 232, Insurance Code.

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

2 CERTIFICATES

3 Sec. 487A.0051. APPLICATION. (a) Subject to Section  
4 487A.0202, the comptroller shall accept applications from entities  
5 seeking approval as rural development funds.

6 (b) An application must include:

7 (1) the total investment authority sought by the  
8 applicant under the applicant's business plan;

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

12 (A) the applicant or affiliates of the applicant  
13 have invested, in the aggregate, at least \$100 million in nonpublic  
14 companies; and

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

21 (3) a copy of the rural business investment company  
22 license or small business investment company license described by  
23 Subdivision (2)(B);

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

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

1           (A) projects state and local tax revenue to be  
2 generated by the applicant's proposed growth investments; and

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

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

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

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

19           (b) The comptroller may approve not more than \$300 million  
20 of investment authority under this chapter in any calendar year.

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

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

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

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

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

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

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

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

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



1 information to the comptroller to complete, clarify, or cure  
2 defects in the application identified by the comptroller.

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

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

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

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

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

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

26 (2) a tax credit certificate to each investor whose  
27 affidavit was included in the application and include on the

1 certificate the amount of the investor's credit-eligible capital  
2 contribution.

3 Sec. 487A.0056. FUND CAPITALIZATION REQUIREMENTS. (a) A  
4 rural development fund shall:

5 (1) not later than the 60th day after the date the fund  
6 receives an approval notice under Section 487A.0055, collect the  
7 credit-eligible capital contribution from each investor issued a  
8 tax credit certificate under that section;

9 (2) not later than the 65th day after the date the fund  
10 receives an approval notice under Section 487A.0055, send to the  
11 comptroller documentation sufficient to prove that the fund has  
12 collected the amounts described in Subdivision (1); and

13 (3) not later than the third anniversary of the  
14 closing date:

15 (A) subject to Subsection (b), collect one or  
16 more investments of cash that, when added to the contributions  
17 collected under Subdivision (1), equal the fund's investment  
18 authority; and

19 (B) send to the comptroller documentation  
20 sufficient to prove that the fund has collected the amounts  
21 described in Paragraph (A).

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

26 Sec. 487A.0057. LAPSE OF APPROVAL. (a) If a rural  
27 development fund fails to comply with the requirements of Section

1 487A.0056, the fund's approval lapses and the portion of the fund's  
2 investment authority that is not invested in growth investments at  
3 the time of the lapse does not count toward the limit prescribed by  
4 Section 487A.0052(b).

5 (b) The comptroller shall first award lapsed investment  
6 authority pro rata to each rural development fund whose requested  
7 investment authority was reduced under Section 487A.0052(c). The  
8 rural development fund may allocate the investment authority  
9 awarded under this subsection to the fund's investors in the fund's  
10 discretion. The comptroller may award any remaining investment  
11 authority to new applicants.

12 (c) In the manner prescribed by the comptroller, a rural  
13 development fund whose approval lapses under this section:

14 (1) may continue to administer and collect repayments  
15 of growth investments made before the lapse; and

16 (2) shall remit to each of the fund's investors the  
17 amount of any credit-eligible capital contribution, cash  
18 contribution described by Section 487A.0056(a)(3)(A), or profit  
19 from growth investments to which the investor is entitled.

20 SUBCHAPTER C. REVOCATION OF TAX CREDIT CERTIFICATE

21 Sec. 487A.0101. GROUNDS FOR REVOCATION. (a) The

22 comptroller shall revoke a tax credit certificate issued under  
23 Subchapter B in connection with an investment in a rural  
24 development fund if, before the fund exits the program under  
25 Section 487A.0151, the fund:

26 (1) subject to Subsection (b), fails to invest at  
27 least 60 percent of the fund's investment authority in growth

1 investments in this state on or before the second anniversary of the  
2 closing date and 100 percent of the fund's investment authority in  
3 growth investments in this state on or before the third anniversary  
4 of the closing date;

5 (2) subject to Subsection (c) and after making the  
6 investments necessary to avoid revocation under Subdivision (1),  
7 fails to maintain growth investments equal to 100 percent of the  
8 fund's investment authority until the sixth anniversary of the  
9 closing date;

10 (3) makes a distribution or payment that results in  
11 the fund having less than all of the amounts described by Section  
12 487A.0056 collected by the fund:

13 (A) invested in growth investments in this state;  
14 or

15 (B) available for investment in growth  
16 investments and held in:

17 (i) cash;

18 (ii) United States Treasury securities;

19 (iii) bonds or notes issued by this state or  
20 an agency or political subdivision of this state; or

21 (iv) a deposit account with a depository  
22 institution headquartered or chartered in this state; or

23 (4) subject to Subsection (d), makes a growth  
24 investment in a targeted small business that directly or indirectly  
25 through an affiliate owns, has the right to acquire an ownership  
26 interest in, makes a loan to, or makes an investment in the fund, an  
27 affiliate of the fund, or an investor in the fund.

1        (b) For purposes of Subsection (a)(1):

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

6            (2) at least 75 percent of the required amounts of  
7 growth investments must consist of growth investments in targeted  
8 small businesses whose principal business operations are located  
9 in, or are relocated to, a rural area in this state.

10        (c) For purposes of Subsection (a)(2):

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

15            (2) an investment that is sold or repaid is considered  
16 to be maintained if the rural development fund reinvests an amount  
17 equal to the capital returned or recovered by the fund from the  
18 original investment, excluding any profit realized, in another  
19 growth investment in this state on or before the first anniversary  
20 of the date the capital is returned or recovered; and

21            (3) an amount received periodically by a rural  
22 development fund is considered to be continually invested in growth  
23 investments if that amount is reinvested in one or more growth  
24 investments by the end of the calendar year following the year of  
25 receipt.

26        (d) Subsection (a)(4) does not apply to investments in  
27 publicly traded securities by a targeted small business or an owner

1 or affiliate of the targeted small business. For purposes of  
2 Subsection (a)(4), a rural development fund is not considered an  
3 affiliate of a targeted small business solely as a result of the  
4 fund's growth investment in the targeted small business.

5 Sec. 487A.0102. OPPORTUNITY TO CORRECT VIOLATION. (a)  
6 Before revoking a tax credit certificate under this subchapter, the  
7 comptroller shall notify the rural development fund of the reasons  
8 for the pending revocation.

9 (b) The rural development fund may, not later than the 90th  
10 day after the date the notice is received, correct any violation  
11 outlined in the notice to the satisfaction of the comptroller and  
12 avoid revocation of the tax credit certificate.

13 Sec. 487A.0103. ALLOCATION OF REVOKED INVESTMENT  
14 AUTHORITY. (a) If a tax credit certificate is revoked under this  
15 subchapter, the associated investment authority does not count  
16 toward the limit on total investment authority described in Section  
17 487A.0052(b).

18 (b) The comptroller shall first award revoked investment  
19 authority pro rata to each rural development fund whose requested  
20 investment authority was reduced under Section 487A.0052(c). The  
21 comptroller may award any remaining investment authority to new  
22 applicants.

23 SUBCHAPTER D. CERTAIN FUND OPERATIONS

24 Sec. 487A.0151. APPLICATION TO EXIT PROGRAM. (a) On or  
25 after the sixth anniversary of the closing date, a rural  
26 development fund may apply to the comptroller to exit the program  
27 and no longer be subject to regulation under this chapter.

1       (b) The comptroller shall respond to the application not  
2 later than the 30th day after receipt.

3       (c) A rural development fund is eligible to exit the program  
4 under this section if no tax credit certificates related to  
5 investments in the fund have been revoked and the fund has not  
6 received any revocation notice that has not been corrected under  
7 Section 487A.0102.

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

12       Sec. 487A.0152. NO REVOCATION FOLLOWING EXIT. The  
13 comptroller may not revoke a tax credit certificate related to an  
14 investment in a rural development fund after the fund's exit from  
15 the program.

16       Sec. 487A.0153. EVALUATION OF PROPOSED INVESTMENT. (a) A  
17 rural development fund, before making a growth investment, may  
18 request from the comptroller a written opinion as to whether the  
19 business in which the fund proposes to invest qualifies as a  
20 targeted small business.

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

24       (c) If the comptroller fails to notify the rural development  
25 fund of its determination on or before the 15th business day after  
26 receiving the request, the business in which the fund proposes to  
27 invest is considered to be a targeted small business for purposes of

1 this chapter.

2 Sec. 487A.0154. ANNUAL REPORT. (a) A rural development  
3 fund shall submit a report to the comptroller on or before the fifth  
4 business day after each anniversary of the closing date until the  
5 fund has exited the program under Section 487A.0151.

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

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

9 (2) the name, location, and industry of each business  
10 receiving a growth investment, including either the determination  
11 notice described by Section 487A.0153 or evidence that the business  
12 qualified as a targeted small business at the time the investment  
13 was made;

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

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

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

23 (6) any other information the comptroller requires.

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



1       Sec. 487A.0155. PARTICIPATION FEE. (a) A rural  
2 development fund that has not exited the program under Section  
3 487A.0151 before the first day of a state fiscal year shall remit to  
4 the comptroller a participation fee in connection with the state  
5 fiscal year in an amount determined under Subsection (b)(2). The  
6 comptroller shall prescribe the date on which the fee payment is  
7 due.

8       (b) For each state fiscal year, the comptroller shall  
9 determine:

10           (1) the costs incurred by the comptroller to  
11 administer this chapter and Chapter 232, Insurance Code, less the  
12 amount of application fees submitted under Section  
13 487A.0051(b)(7); and

14           (2) the amount of the participation fee each rural  
15 development fund described by Subsection (a) is required to pay in  
16 connection with the state fiscal year, which is computed by  
17 multiplying the amount determined under Subdivision (1) for the  
18 state fiscal year by a fraction:

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

21                   (B) the denominator of which is the total amount  
22 of investment authority for all rural development funds required to  
23 pay a fee under Subsection (a) in connection with the state fiscal  
24 year.

25       SUBCHAPTER E. REPORT; CONDITIONS FOR ACCEPTANCE OF CERTAIN  
26                                   APPLICATIONS

27       Sec. 487A.0201. REPORT. (a) Before the beginning of the

1 91st Legislature, Regular Session, the comptroller shall submit to  
2 the lieutenant governor, the speaker of the house of  
3 representatives, and each other member of the legislature a report  
4 on the economic benefits of this chapter.

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

6 (1) the aggregate effects of growth investments made  
7 under this chapter, including:

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

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

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

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

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

20 (F) the total amount of growth investments;

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

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

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

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

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

6           (A) Medicaid savings, with savings to this state  
7 and the federal government listed separately;

8           (B) food assistance program savings;

9           (C) unemployment insurance payment savings; and

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

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

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

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

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

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

24           Sec. 487A.0202. CONDITIONS FOR ACCEPTANCE OF CERTAIN  
25 APPLICATIONS. (a) The comptroller may not accept applications  
26 under Section 487A.0051 after January 1, 2024, unless the total  
27 positive fiscal effects described by Section 487A.0201(b) exceed

1 the sum of all tax credit certificates issued by the comptroller  
2 under Subchapter B.

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

6 SECTION 2. Subtitle B, Title 3, Insurance Code, is amended  
7 by adding Chapter 232 to read as follows:

8 CHAPTER 232. TAX CREDIT FOR INVESTMENT IN RURAL DEVELOPMENT FUND

9 SUBCHAPTER A. GENERAL PROVISIONS

10 Sec. 232.0001. DEFINITIONS. In this chapter:

11 (1) "Affiliate" has the meaning assigned by Section  
12 487A.0002, Government Code.

13 (2) "Closing date" has the meaning assigned by Section  
14 487A.0001, Government Code.

15 (3) "State insurance tax liability" means any tax  
16 liability incurred under Chapter [221](#), [222](#), [223](#), [223A](#), [224](#), [225](#),  
17 [226](#), or [281](#).

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

20 SUBCHAPTER B. TAX CREDIT

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

25 Sec. 232.0052. QUALIFICATION. An entity is eligible for a  
26 credit for a tax year if the entity holds a tax credit certificate  
27 issued under Section 487A.0055, Government Code, and the third,

1 fourth, fifth, or sixth anniversary of the closing date in  
2 connection with which the certificate was issued occurs during the  
3 tax year.

4 Sec. 232.0053. AMOUNT OF CREDIT; LIMITATION. (a) The  
5 amount of credit for a tax year in connection with a tax credit  
6 certificate described by Section 232.0052 is equal to 25 percent of  
7 the amount of the credit-eligible capital contribution stated on  
8 the certificate.

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

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

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

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

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

25 Sec. 232.0056. RETALIATORY TAX. An entity claiming a  
26 credit under this chapter is not required to pay any additional  
27 retaliatory tax levied under Chapter 281 as a result of claiming

1 that credit.

2 SUBCHAPTER C. RECAPTURE OF CREDIT

3 Sec. 232.0101. RECAPTURE. The comptroller shall recapture  
4 the amount of a credit claimed on a tax report filed under Chapter  
5 221, 222, 223, 223A, 224, 225, 226, or 281 from an entity if the tax  
6 credit certificate on which the credit is based is revoked under  
7 Subchapter C, Chapter 487A, Government Code.

8 SECTION 3. (a) As soon as practicable after this Act  
9 becomes law as provided by Section 2001.006, Government Code, the  
10 comptroller of public accounts shall adopt rules necessary to  
11 implement Chapter 487A, Government Code, as added by this Act, and  
12 Chapter 232, Insurance Code, as added by this Act.

13 (b) Not later than October 1, 2023, the comptroller of  
14 public accounts shall begin accepting applications under Section  
15 487A.0051(a), Government Code, as added by this Act.

16 SECTION 4. Chapter 232, Insurance Code, as added by this  
17 Act, applies only to a tax report originally due on or after January  
18 1, 2023.

19 SECTION 5. This Act takes effect immediately if it receives  
20 a vote of two-thirds of all the members elected to each house, as  
21 provided by Section 39, Article III, Texas Constitution. If this  
22 Act does not receive the vote necessary for immediate effect, this  
23 Act takes effect September 1, 2023.