**BILL ANALYSIS**

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| 89R10422 SRA-D | By: Paxton et al. |
|  | Finance |
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**AUTHOR'S / SPONSOR'S STATEMENT OF INTENT**

Children and families across the state are experiencing higher levels of mental health and substance abuse issues, trauma, and economic stressors they cannot handle alone. These families include pregnant and parenting families, kinship families caring for their child relatives, and adoptive families who may be caring for children impacted by trauma.

Many faith and community-based organizations provide services and support for children and families in their communities. To meet the increasing needs of these families across Texas, these nonprofit organizations have an opportunity to expand services to more families, but need support from the private sector to do so.

S.B. 2018 incentivizes the private sector to support eligible nonprofit organizations that provide evidence-based, family-strengthening services by offering a limited tax credit on certain taxes equal to the amount of the donation.

As proposed, S.B. 2018 amends current law relating to the strong families credit against certain taxes for entities that contribute to certain organizations.

**RULEMAKING AUTHORITY**

Rulemaking authority is expressly granted to the Comptroller of Public Accounts of the State of Texas in SECTION 1 (Section 201.105, Alcoholic Beverage Code), SECTION 2 (Section 230.006, Insurance Code), SECTION 3 (Sections 171.805 and 171.809, Tax Code), and SECTION 4 (Section 203.005, Tax Code), of this bill.

Rulemaking authority is expressly granted to the Health and Human Services Commission in SECTION 3 (Section 171.809, Tax Code) of this bill.

**SECTION BY SECTION ANALYSIS**

SECTION 1. Amends Chapter 201, Alcoholic Beverage Code, by adding Subchapter D, as follows:

SUBCHAPTER D. STRONG FAMILIES TAX CREDIT

Sec. 201.101. DEFINITIONS. Defines "designated contribution," "eligible organization," "strong families credit," and "taxpayer."

Sec. 201.102. ELIGIBILITY. Provides that a taxpayer that makes a designated contribution that meets the requirements of Subchapter P, Chapter 171 (Franchise Tax), Tax Code, is entitled to apply for a strong families credit in the amount and under the conditions provided by this subchapter against taxes paid under Chapter 201 (Liquor Taxes).

Sec. 201.103. AMOUNT OF CREDIT; LIMITATIONS. (a) Provides that, subject to Subsections (b) and (c), the amount of a taxpayer's credit for a state fiscal year is equal to the lesser of the amount of designated contributions made to eligible organizations during the state fiscal year or the amount of taxes paid by the taxpayer under this chapter during the state fiscal year.

(b) Provides that the maximum amount of strong families credits that are authorized to be awarded is the amount provided by Section 171.805(c), Tax Code.

(c) Provides that the maximum amount of designated contributions a taxpayer is authorized to make to all eligible organizations in a state fiscal year is the amount provided by Section 171.805(b), Tax Code.

(d) Requires the Comptroller of Public Accounts of the State of Texas (comptroller) to allocate strong families credits as provided by Section 171.805(d), Tax Code.

Sec. 201.104. APPLICATION. (a) Requires a taxpayer to apply to claim a strong families credit against a tax imposed under this chapter.

(b) Requires a taxpayer to apply for the credit in the manner prescribed by the comptroller and include with the application any information requested by the comptroller to determine whether the taxpayer is eligible for the credit under this subchapter.

(c) Authorizes the comptroller to award a credit to a taxpayer who applies for the credit under Subsection (a) if the taxpayer is eligible for the credit and the credit is available under Section 171.805(c), Tax Code.

(d) Requires the comptroller to notify a taxpayer in writing of the comptroller's decision to grant or deny the application under Subsection (a). Requires the comptroller, if the comptroller denies a taxpayer's application, to include in the notice of denial the reasons for the comptroller's decision.

Sec. 201.105. RULES. Authorizes the comptroller to adopt rules and procedures necessary to implement, administer, and enforce this subchapter.

Sec. 201.106. EXPIRATION. (a) Provides that this subchapter expires January 1, 2028.

(b) Provides that the expiration of this subchapter does not affect credits for which a taxpayer is eligible after the date this subchapter expires based on designated contributions made before that date.

SECTION 2. Amends Subtitle B, Title 3, Insurance Code, by adding Chapter 230, as follows:

CHAPTER 230. STRONG FAMILIES TAX CREDIT

Sec. 230.001. DEFINITIONS. Defines "designated contribution," "eligible organization," "strong families credit," and "state insurance tax liability."

Sec. 230.002. ELIGIBILITY. Provides that an entity that makes a designated contribution that meets the requirements of Subchapter P, Chapter 171, Tax Code, is entitled to apply for a strong families credit in the amount and under the conditions provided by this chapter against the entity's state insurance tax liability.

Sec. 230.003. AMOUNT OF CREDIT; LIMITATION ON TOTAL CREDITS. (a) Provides that, subject to Subsections (b) and (c), the amount of an entity's credit for a report is equal to the lesser of the amount of designated contributions made to an eligible organization during the year covered by the report or the amount of the entity's state insurance tax liability for the year covered by the report after applying all other applicable credits.

(b) Provides that the maximum amount of strong families credits that are authorized to be awarded is the amount provided by Section 171.805(c), Tax Code.

(c) Provides that the maximum amount of designated contributions an entity is authorized to make to all eligible organizations in a state fiscal year is the amount provided by Section 171.805(b), Tax Code.

(d) Requires the comptroller to allocate strong families credits as provided by Section 171.805(d), Tax Code.

Sec. 230.004. APPLICATION FOR CREDIT. (a) Requires an entity to apply to claim a strong families credit under this chapter on or with the report covering the year in which the designated contribution was made.

(b) Requires an entity to apply for the credit in the manner prescribed by the comptroller and include with the application any information requested by the comptroller to determine whether the entity is eligible for the credit under this chapter.

(c) Authorizes the comptroller to award a credit to an entity that applies for the credit under Subsection (a) if the entity is eligible for the credit and the credit is available under Section 171.805(c), Tax Code.

Sec. 230.005. ASSIGNMENT PROHIBITED; EXCEPTION. Prohibits an entity from conveying, assigning, or transferring a strong families credit to another entity unless substantially all of the assets of the entity are conveyed, assigned, or transferred in the same transaction.

Sec. 230.006. RULES. Authorizes the comptroller to adopt rules and procedures necessary to implement, administer, and enforce this chapter.

Sec. 230.007. EXPIRATION. (a) Provides that this chapter expires January 1, 2028.

(b) Provides that the expiration of this chapter does not affect credits for which an entity is eligible after the date this chapter expires based on designated contributions made before that date.

SECTION 3. Amends Chapter 171, Tax Code, by adding Subchapter P, as follows:

SUBCHAPTER P. STRONG FAMILIES TAX CREDIT

Sec. 171.801. DEFINITIONS. Defines "at-risk family," "commission," "designated contribution," "eligible organization," and "strong families credit."

Sec. 171.802. ELIGIBILITY FOR CREDIT. Provides that a taxable entity that makes a designated contribution that meets the requirements of this subchapter is eligible to apply for a strong families credit in the amount and under the conditions provided by this subchapter against the tax imposed under this chapter.

Sec. 171.803. QUALIFICATIONS FOR ELIGIBLE ORGANIZATION; CERTIFICATION OF ELIGIBILITY. (a) Authorizes an organization to apply to the Health and Human Services Commission (HHSC) for certification as an eligible organization under this subchapter if the organization:

(1) is exempt from federal income taxation under Section 501(a), Internal Revenue Code of 1986, as an organization described by Section 501(c)(3) of that code;

(2) is authorized to transact business in this state;

(3) has provided comprehensive case management services for at-risk families based on an assessment of family strengths and needs, including assisting families in achieving self-sufficiency, stability, and encouraging workforce participation; and services and resources to assist fathers in learning and improving parenting skills and being more engaged in their children's lives through in-school programs and online resources in this state for at least three years preceding the organization's initial application for certification as an eligible organization

(4) does not directly or indirectly provide abortion services, or offer information related to abortion services; and

(5) has not received, either directly or indirectly through a contractor, more than 50 percent of its total annual revenue from this state or a political subdivision of this state in the preceding state fiscal year.

(b) Requires that services and resources described by Subsection (a)(3) be implemented with a continuous quality improvement process and evaluated based on outcomes.

(c) Requires an organization to reapply for certification as an eligible organization each calendar year by submitting to HHSC a signed application form containing certain information.

(d) Requires HHSC to:

(1) issue a certificate of eligibility to an eligible applicant stating that the organization meets the qualifications of an eligible organization;

(2) revoke an organization's certificate of eligibility if the organization violates this subchapter or fails to maintain the eligibility requirements of this subchapter;

(3) publish information about the strong families credit on HHSC's Internet website, including the requirements and process for an organization to be certified as an eligible organization and a list of organizations currently certified as eligible organizations; and

(4) require the return of designated contributions made to an organization that has had the organization's certification as an eligible organization revoked or that otherwise fails to comply with the requirements of this subchapter.

(e) Provides that an organization that is required to return contributions under Subsection (d)(4) is ineligible for certification as an eligible organization.

(f) Authorizes an organization whose certification as an eligible organization lapses or is revoked for a reason other than the reason described by Subsection (d)(4) to reapply for certification as an eligible organization.

Sec. 171.804. DUTIES OF ELIGIBLE ORGANIZATION. (a) Requires an eligible organization to:

(1) conduct a local, state, and national criminal background check for all individuals working directly with children in a program funded by designated contributions that includes the use of a commercial multistate and multijurisdiction criminal records locator or other similar commercial nationwide database and the national sex offender registry database maintained by the United States Department of Justice or a successor agency;

(2) spend all designated contributions, other than the amount described by Subdivision (3), to provide services or resources for residents of this state;

(3) spend no more than five percent of the total dollar amount of designated contributions on administrative expenses; and

(4) annually submit to the comptroller the report of an audit of the eligible organization conducted by an independent certified public accountant in accordance with generally accepted auditing principles completed not later than the 180th day after the end of the eligible organization's fiscal year and a copy of the eligible organization's most recent Form 990 filed with the Internal Revenue Service.

(b) Requires an eligible organization, on receipt of a designated contribution, to provide the entity making the contribution with a certificate of contribution that includes certain information.

Sec. 171.805. AMOUNT OF CREDIT; LIMITATION ON TOTAL CREDITS. (a) Provides that, subject to Subsections (b) and (c), the amount of a taxable entity's credit for a report is equal to the lesser of the amount of designated contributions made to eligible organizations during the period covered by the report or the amount of franchise tax due for the report after applying all other applicable credits.

(b) Prohibits a taxable entity from applying for a credit for a report in connection with more than $1 million in designated contributions.

(c) Prohibits the total amount of strong families credits awarded from exceeding $10 million.

(d) Requires the comptroller by rule to prescribe procedures by which the comptroller will allocate strong families credits. Requires that the procedures provide that any credits are allocated to entities that apply on a first-come, first-served basis.

Sec. 171.806. CARRYFORWARD. (a) Authorizes a taxable entity, if an entity is eligible for a credit that exceeds the limitation under Section 171.805(a), to carry the unused credit forward for not more than five consecutive reports.

(b) Provides that a carryforward is considered the remaining portion of a credit that cannot be claimed on a report because of the limitation under Section 171.805(a).

Sec. 171.807. APPLICATION FOR CREDIT. (a) Requires a taxable entity to apply to claim a strong families credit under this subchapter on or with the report covering the period in which the designated contribution was made.

(b) Requires a taxable entity to apply for the credit in the manner prescribed by the comptroller and include with the application any information requested by the comptroller to determine whether the entity is eligible for the credit under this subchapter.

(c) Authorizes the comptroller to award a credit to a taxable entity that applies for the credit under Subsection (a) if the taxable entity is eligible for the credit and the credit is available under Section 171.805(c).

(d) Requires the comptroller to notify a taxable entity in writing of the comptroller's decision to grant or deny the application under Subsection (a). Requires the comptroller, if the comptroller denies a taxable entity's application, to include in the notice of denial the reasons for the comptroller's decision.

Sec. 171.808. ASSIGNMENT PROHIBITED; EXCEPTION. Prohibits a taxable entity from conveying, assigning, or transferring a strong families credit awarded under this subchapter to another taxable entity unless substantially all of the assets of the taxable entity are conveyed, assigned, or transferred in the same transaction.

Sec. 171.809. RULES. Authorizes HHSC and the comptroller to adopt rules and procedures necessary to implement, administer, and enforce this subchapter.

Sec. 171.810. EXPIRATION. (a) Provides that this subchapter expires January 1, 2028.

(b) Provides that the expiration of this subchapter does not affect the carryforward of a credit under Section 171.806 or those credits for which a taxable entity is eligible after the date this subchapter expires based on designated contributions made before that date.

SECTION 4. Amends Subtitle I, Title 2, Tax Code, by adding Chapter 203, as follows:

CHAPTER 203. STRONG FAMILIES TAX CREDIT

Sec. 203.001. DEFINITIONS. Defines "designated contribution," "eligible organization," and "strong families credit."

Sec. 203.002. ELIGIBILITY. Provides that a producer that makes a designated contribution that meets the requirements of Subchapter P, Chapter 171, is entitled to apply for a strong families credit in the amount and under the conditions provided by this chapter against tax paid under Chapter 201 (Gas Production Tax) or 202 (Oil Production Tax).

Sec. 203.003. AMOUNT OF CREDIT; LIMITATIONS. (a) Provides that, subject to Subsections (b) and (c), the amount of a producer's credit for a state fiscal year is equal to the lesser of the amount of designated contributions made to eligible organizations during the state fiscal year or the amount of taxes paid by the producer under Chapter 201 or 202, as applicable, during the state fiscal year.

(b) Provides that the maximum amount of strong families credits that are authorized to be awarded is the amount provided by Section 171.805(c).

(c) Provides that the maximum amount of designated contributions a producer is authorized to make to all eligible organizations in a state fiscal year is the amount provided by Section 171.805(b).

(d) Requires the comptroller to allocate strong families credits as provided by Section 171.805(d).

Sec. 203.004. APPLICATION. (a) Requires the person responsible for paying the tax under Chapter 201 or 202 to apply to claim a strong families credit against that tax.

(b) Requires the person responsible for paying the tax to apply for the credit in the manner prescribed by the comptroller and include with the application any information requested by the comptroller to determine whether the person is eligible for the credit under this section.

(c) Authorizes the comptroller to award a credit to a person who applies for the credit under Subsection (a) if the person is eligible for the credit and the credit is available under Section 171.805(c).

(d) Requires the comptroller to notify a person in writing of the comptroller's decision to grant or deny the application under Subsection (a). Requires the comptroller, if the comptroller denies a person's application, to include in the notice of denial the reasons for the comptroller's decision.

Sec. 203.005. RULES. Authorizes the comptroller to adopt rules and procedures necessary to implement, administer, and enforce this chapter.

Sec. 203.006. EXPIRATION. (a) Provides that this chapter expires January 1, 2028.

(b) Provides that the expiration of this chapter does not affect credits for which a person is eligible after the date this chapter expires based on designated contributions made before that date.

SECTION 5. (a) Authorizes an entity to apply for a credit under Subchapter D, Chapter 201, Alcoholic Beverage Code, as added by this Act, Chapter 230, Insurance Code, as added by this Act, Subchapter P, Chapter 171, Tax Code, as added by this Act, or Chapter 203, Tax Code, as added by this Act, only for a designated contribution made on or after January 1, 2026.

(b) Makes application of Subchapter D, Chapter 201, Alcoholic Beverage Code, as added by this Act, Chapter 230, Insurance Code, as added by this Act, Subchapter P, Chapter 171, Tax Code, as added by this Act, and Chapter 203, Tax Code, as added by this Act, prospective.

SECTION 6. Effective date: January 1, 2026.