

BILL ANALYSIS

Senate Research Center

S.B. 2018
By: Paxton et al.
Finance
7/25/2025
Enrolled

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.

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 (Sections 171.807 and 171.811, Tax Code) of this bill.

SECTION BY SECTION ANALYSIS

SECTION 1. 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," "designated contribution," "eligible organization," "foundation," 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 Chapter 171 (Franchise Tax).

Sec. 171.803. CERTIFICATION AS ELIGIBLE ORGANIZATION. (a) Requires the OneStar Foundation (foundation) to certify an organization 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 certain services and resources in this state for at least three years preceding the organization's receipt of the organization's initial designated contribution;

(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 an organization, to remain an eligible organization, to submit each calendar year certain information to the foundation in the manner prescribed by the Comptroller of Public Accounts of the State of Texas (comptroller).

(c) Authorizes the comptroller to consult with the foundation to determine the manner in which an organization is required to demonstrate that the organization is an eligible organization for purposes of this subchapter.

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 certain databases;

(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 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.

(c) Requires an eligible organization to provide to the comptroller a copy of each certificate of contribution provided to an entity under Subsection (b) not later than the 30th day after the date the organization provided the certificate to the entity making the designated contribution.

Sec. 171.805. AMOUNT OF CREDIT; LIMITATION ON TOTAL CREDITS. (a) Provides that, subject to Subsection (b), the amount of a taxable entity's credit for a report is equal to the lesser of the amount of credit awarded to the entity under Section 171.807 or the amount of franchise tax due for the report after applying all other applicable credits.

(b) Prohibits the total amount of strong families credits awarded from exceeding \$5 million each year.

Sec. 171.806. CARRYFORWARD. (a) Authorizes a taxable entity, if the entity is awarded 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 awarded to a taxable entity that cannot be claimed on a report because of the limitation under Section 171.805(a).

Sec. 171.807. APPLICATION FOR CREDIT. (a) Authorizes the comptroller to award a credit to a taxable entity that applies for the credit under this subchapter if the taxable entity is eligible for the credit and the credit is available under Section 171.805(b).

(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. Authorizes the comptroller to adopt rules prescribing the application process for the credit, including rules prescribing certain procedures.

(c) Prohibits a taxable entity from applying for an amount of credit greater than the lesser of the taxable entity's designated contributions made to eligible organizations during the relevant period or \$1 million.

(d) Authorizes a taxable entity to be awarded an amount of credit less than the total amount of credit to which the entity would otherwise be entitled if awarding the entity the total amount of credit would exceed the limitation under Section 171.805(b).

(e) Requires the comptroller to notify a taxable entity in writing of the amount of credit, if any, awarded to the entity.

(f) Provides that the award or denial of a credit under this subchapter and the amount of any credit awarded is not a contested case under Chapter 2001 (Administrative Procedure), Government Code.

(g) Authorizes a taxable entity, subject to the limitations prescribed by this subchapter, to claim the amount of credit awarded by the comptroller on the report originally due after the entity receives the notice described by Subsection (e).

Sec. 171.808. CREDIT FOR DESIGNATED CONTRIBUTION MADE BY MEMBER OF COMBINED GROUP OR TIERED PARTNERSHIP AGREEMENT. (a) Requires that a credit under this subchapter for designated contributions made by a member of an affiliated group that files a combined report under Section 171.1015 (Reporting for Certain Partnerships in Tiered Partnership Arrangement) be claimed on the combined report required by Section 171.1014 (Combined Reporting; Affiliated Group Engaged in Unitary Business) for the group, and provides that the combined group is considered the taxable entity making the designated contribution for purposes of this subchapter.

(b) Authorizes an upper tier entity that includes the total revenue of a lower tier entity for purposes of computing its taxable margin as authorized by Section 171.1015 to claim the credit under this subchapter for designated contributions made by the lower tier entity to the extent of the upper tier entity's ownership interest in the lower tier entity. Provides that no more than \$1 million in credit awarded for designated contributions made during the period on which a report is based is authorized to be claimed on the report.

Sec. 171.809. 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. 171.810. FEES. Authorizes the foundation to set and charge to an organization a fee in an amount sufficient to cover the foundation's costs to certify the organization as an eligible organization under Section 171.803.

Sec. 171.811. RULES. Authorizes the comptroller to adopt rules and procedures necessary to implement, administer, and enforce this subchapter.

Sec. 171.812. EXPIRATION. (a) Provides that this subchapter expires January 1, 2029.

(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 2. (a) Provides that a taxable entity is authorized to apply for a credit under Subchapter P, Chapter 171, Tax Code, as added by this Act, only for a designated contribution made on or after January 1, 2026.

(b) Makes application of Subchapter P, Chapter 171, Tax Code, as added by this Act, prospective.

SECTION 3. Effective date: June 1, 2026.