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By:  Curry H.B. No. 3830

A BILL TO BE ENTITLED

AN ACT

relating to a franchise tax credit for certain watershed protection activities.

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

SECTION 1.  Chapter 171, Tax Code, is amended by adding Subchapter N to read as follows:

SUBCHAPTER N. TAX CREDIT FOR CERTAIN WATERSHED PROTECTION ACTIVITIES

Sec. 171.701.  DEFINITIONS. In this subchapter:

(1)  "Agricultural waste" has the meaning assigned by Section 26.001, Water Code.

(2)  "Concentrated animal feeding operation" has the meaning assigned by 30 T.A.C. Section 321.32 on the effective date of this subchapter.

(3)  "Major sole source impairment zone" has the meaning assigned by Section 26.502, Water Code.

Sec. 171.702.  ELIGIBILITY FOR CREDIT. A taxable entity is eligible for a credit against the tax imposed under this chapter in the amount and under the conditions provided by this subchapter.

Sec. 171.703.  QUALIFICATION. A taxable entity qualifies for a credit under this subchapter if during the period covered by a report the taxable entity:

(1)  operates a concentrated animal feeding operation:

(A)  under a permit issued under Subchapter L, Chapter 26, Water Code; and

(B)  that is located in a major sole source impairment zone; and

(2)  transports agricultural waste outside of the major sole source impairment zone for disposal, use, or application to a waste management unit or waste application field located outside of the zone.

Sec. 171.704.  AMOUNT OF CREDIT; LIMITATION. (a) Subject to Subsection (b), the amount of credit for a report is equal to the total costs of fuel, labor, and equipment used to transport waste as described by Section 171.703(2) during the period covered by the report.

(b)  The total credit for a report, including the amount of any carryforward under Section 171.705, may not exceed 50 percent of the franchise tax due for the report after all other applicable tax credits.

Sec. 171.705.  CARRYFORWARD. (a) A taxable entity that is eligible for a credit that exceeds the limitation under Section 171.704(b) may carry the unused credit forward for not more than 10 consecutive reports.

(b)  Credits, including credit carryforwards, are considered to be used in the following order:

(1)  a credit carryforward under this subchapter; and

(2)  a credit for the period on which the report is based.

Sec. 171.706.  ASSIGNMENT PROHIBITED; EXCEPTION. A taxable entity may not convey, assign, or transfer the credit allowed under this subchapter to another entity unless substantially all of the assets of the taxable entity are conveyed, assigned, or transferred in the same transaction.

Sec. 171.707.  APPLICATION FOR CREDIT. A taxable entity must apply for a credit under this subchapter on or with the report for the period for which the credit is claimed and submit any information requested by the comptroller to determine the entity's eligibility for the credit or the amount of the credit.

Sec. 171.708.  RULES. The comptroller shall adopt rules and forms necessary to implement this subchapter.

Sec. 171.709.  REPORTING OF ESTIMATES AND COLLECTION OF INFORMATION. (a) Before the beginning of each regular session of the legislature, the comptroller shall submit to the legislature and the governor an estimate for the preceding fiscal biennium of:

(1)  the total number of taxable entities that applied for a credit under this subchapter;

(2)  the total amount of credits received under this subchapter; and

(3)  the total amount of credits carried forward under Section 171.705.

(b)  The comptroller shall provide the estimate required by this section as part of the report required by Section 403.014, Government Code.

Sec. 171.710.  EXPIRATION; EXCEPTION. (a) This subchapter expires December 31, 2035.

(b)  The expiration of this subchapter does not affect the carryforward of a credit under Section 171.705 or a credit for which an entity applies after the date this subchapter expires based on a cost for which a taxable entity became eligible for a credit before that date.

SECTION 2.  Subchapter N, Chapter 171, Tax Code, as added by this Act, applies only to a report originally due on or after the effective date of this Act.

SECTION 3.  This Act takes effect January 1, 2026.