By:  Paxton, et al. S.B. No. 2018

(Harris, Capriglione, Troxclair, et al.)

A BILL TO BE ENTITLED

AN ACT

relating to the strong families credit against certain taxes for entities that contribute to certain organizations.

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

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

SUBCHAPTER P. STRONG FAMILIES TAX CREDIT

Sec. 171.801.  DEFINITIONS. In this subchapter:

(1)  "At-risk family" has the meaning assigned by Section 137.002, Human Resources Code.

(2)  "Designated contribution" means a monetary contribution to an eligible organization that the contributor designates at the time of contribution as being made for the purpose of the strong families credit.

(3)  "Eligible organization" means an organization determined to be an eligible organization under this subchapter.

(4)  "State campaign manager" and "state policy committee" have the meanings assigned by Section 659.131, Government Code.

(5)  "Strong families credit" means the tax credit established under this subchapter.

Sec. 171.802.  ELIGIBILITY FOR CREDIT. 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. (a) An organization is 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 the following in this state for at least three years preceding the organization's receipt of the organization's initial designated contribution:

(A)  comprehensive case management services for at-risk families based on an assessment of family strengths and needs, including assisting families in achieving self-sufficiency and stability and encouraging workforce participation; or

(B)  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;

(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)  To remain an eligible organization, an organization must submit each calendar year the following information in the manner prescribed by the comptroller:

(1)  a description of the qualifying services and resources provided by the organization;

(2)  the total number of individuals served through the services and resources described by Subdivision (1) during the previous calendar year and the number of those individuals served and provided with resources that year using designated contributions;

(3)  outcomes for services and resources described by Subdivision (1);

(4)  the organization's financial information;

(5)  the organization's contact information;

(6)  a statement, signed under penalty of perjury by an officer of the organization, that the organization meets all criteria to qualify as an eligible organization, has fulfilled the requirements for the previous calendar year, and intends to fulfill the requirements for the next calendar year; and

(7)  any other documentation necessary to verify eligibility or compliance with this section.

(c)  The comptroller may consult with the state campaign manager and state policy committee to determine the manner in which an organization must demonstrate that the organization is an eligible organization for purposes of this subchapter.

Sec. 171.804.  DUTIES OF ELIGIBLE ORGANIZATION. (a) An eligible organization shall:

(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)  a commercial multistate and multijurisdiction criminal records locator or other similar commercial nationwide database; and

(B)  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 a copy of the eligible organization's most recent Form 990 filed with the Internal Revenue Service.

(b)  On receipt of a designated contribution, an eligible organization shall provide the entity making the contribution with a certificate of contribution that includes:

(1)  the entity's name;

(2)  the eligible organization's name;

(3)  the entity's federal employer identification number, if applicable;

(4)  the entity's state taxpayer identification number, if applicable;

(5)  the amount of the designated contribution; and

(6)  the date the designated contribution was made.

Sec. 171.805.  AMOUNT OF CREDIT; LIMITATION ON TOTAL CREDITS. (a) Subject to Subsections (b) and (c), the amount of a taxable entity's credit for a report is equal to the lesser of:

(1)  the amount of designated contributions made to eligible organizations during the period covered by the report; or

(2)  the amount of franchise tax due for the report after applying all other applicable credits.

(b)  A taxable entity may not apply for a credit for a report in connection with more than $1 million in designated contributions.

(c)  The total amount of strong families credits awarded may not exceed $5 million each year.

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

(b)  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) The comptroller may 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(c).

(b)  A taxable entity must 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. The comptroller may adopt rules prescribing the application process for the credit, including rules prescribing:

(1)  a process by which the credit is awarded on a first-come, first-served basis;

(2)  an enrollment period with application deadlines to submit an application for the credit;

(3)  a requirement that a taxable entity must apply for the credit using an electronic application; and

(4)  the information required to be submitted with the application for the credit, including the certificate of contribution described by Section 171.804(b).

(c)  The comptroller may rely on an audited cost report provided by a taxable entity in awarding a credit under this subchapter.

(d)  A taxable entity may not apply for an amount of credit greater than the amount determined under Section 171.805(a)(1) or (b), as applicable.

(e)  A taxable entity may 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(c).

(f)  The comptroller shall notify a taxable entity in writing of the amount of credit, if any, awarded to the entity.

(g)  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, Government Code.

(h)  Subject to the limitations prescribed by this subchapter, a taxable entity may claim the amount of credit awarded by the comptroller on the report originally due after the entity receives the notice described by Subsection (f).

Sec. 171.808.  CREDIT FOR DESIGNATED CONTRIBUTION MADE BY MEMBER OF COMBINED GROUP OR TIERED PARTNERSHIP AGREEMENT. (a) 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 must be claimed on the combined report required by Section 171.1014 for the group, and the combined group is considered the taxable entity making the designated contribution for purposes of this subchapter.

(b)  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 may 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. No more than $1 million in credit awarded for designated contributions made during the period on which a report is based may be claimed on the report.

Sec. 171.809.  ASSIGNMENT PROHIBITED; EXCEPTION. A taxable entity may not convey, assign, or transfer 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.  RULES. The comptroller may adopt rules and procedures necessary to implement, administer, and enforce this subchapter.

Sec. 171.811.  EXPIRATION. (a) This subchapter expires January 1, 2029.

(b)  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) A taxable entity may 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 June 1, 2026.

(b)  Subchapter P, Chapter 171, Tax Code, as added by this Act, applies only to a report originally due on or after June 1, 2026.

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