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By:  Paxton, et al. S.B. No. 2018

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 201, Alcoholic Beverage Code, is amended by adding Subchapter D to read as follows:

SUBCHAPTER D. STRONG FAMILIES TAX CREDIT

Sec. 201.101.  DEFINITIONS. In this subchapter:

(1)  "Designated contribution," "eligible organization," and "strong families credit" have the meanings assigned by Section 171.801, Tax Code.

(2)  "Taxpayer" means a person who pays a tax under this chapter.

Sec. 201.102.  ELIGIBILITY. A taxpayer 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 subchapter against taxes paid under this chapter.

Sec. 201.103.  AMOUNT OF CREDIT; LIMITATIONS. (a) Subject to Subsections (b) and (c), the amount of a taxpayer's credit for a state fiscal year is equal to the lesser of:

(1)  the amount of designated contributions made to eligible organizations during the state fiscal year; or

(2)  the amount of taxes paid by the taxpayer under this chapter during the state fiscal year.

(b)  The maximum amount of strong families credits that may be awarded is the amount provided by Section 171.805(c), Tax Code.

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

(d)  The comptroller shall allocate strong families credits as provided by Section 171.805(d), Tax Code.

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

(b)  A taxpayer 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 taxpayer is eligible for the credit under this subchapter.

(c)  The comptroller may 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)  The comptroller shall notify a taxpayer in writing of the comptroller's decision to grant or deny the application under Subsection (a). If the comptroller denies a taxpayer's application, the comptroller shall include in the notice of denial the reasons for the comptroller's decision.

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

Sec. 201.106.  EXPIRATION. (a) This subchapter expires January 1, 2028.

(b)  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.  Subtitle B, Title 3, Insurance Code, is amended by adding Chapter 230 to read as follows:

CHAPTER 230. STRONG FAMILIES TAX CREDIT

Sec. 230.001.  DEFINITIONS. In this chapter:

(1)  "Designated contribution," "eligible organization," and "strong families credit" have the meanings assigned by Section 171.801, Tax Code.

(2)  "State insurance tax liability" means any tax liability incurred by an entity under Chapters 221 through 226 or Chapter 281.

Sec. 230.002.  ELIGIBILITY. 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) Subject to Subsections (b) and (c), the amount of an entity's credit for a report is equal to the lesser of:

(1)  the amount of designated contributions made to an eligible organization during the year covered by the report; or

(2)  the amount of the entity's state insurance tax liability for the year covered by the report after applying all other applicable credits.

(b)  The maximum amount of strong families credits that may be awarded is the amount provided by Section 171.805(c), Tax Code.

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

(d)  The comptroller shall allocate strong families credits as provided by Section 171.805(d), Tax Code.

Sec. 230.004.  APPLICATION FOR CREDIT. (a) An entity must 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)  An 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 chapter.

(c)  The comptroller may 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. An entity may not convey, assign, or transfer 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. The comptroller may adopt rules and procedures necessary to implement, administer, and enforce this chapter.

Sec. 230.007.  EXPIRATION. (a) This chapter expires January 1, 2028.

(b)  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.  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)  "Commission" means the Health and Human Services Commission.

(3)  "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.

(4)  "Eligible organization" means an organization that is certified by the commission as an eligible organization under this subchapter.

(5)  "Strong families credit" means the tax credit established under this subchapter that may be claimed under:

(A)  Subchapter D, Chapter 201, Alcoholic Beverage Code;

(B)  Chapter 230, Insurance Code;

(C)  this subchapter; or

(D)  Chapter 203.

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; CERTIFICATION OF ELIGIBILITY. (a) An organization may apply to the commission 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 the following in this state for at least three years preceding the organization's initial application for certification as an eligible organization:

(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, stability, and encouraging workforce participation; and

(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)  Services and resources described by Subsection (a)(3) must be implemented with a continuous quality improvement process and evaluated based on outcomes.

(c)  An organization must reapply for certification as an eligible organization each calendar year by submitting to the commission a signed application form containing:

(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 requested by the commission to verify eligibility or compliance with this section.

(d)  The commission shall:

(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 the commission's Internet website, including:

(A)  the requirements and process for an organization to be certified as an eligible organization; and

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

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

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)  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

(B)  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 amount of the designated contribution; and

(5)  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 $10 million.

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

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 that cannot be claimed on a report because of the limitation under Section 171.805(a).

Sec. 171.807.  APPLICATION FOR CREDIT. (a) A taxable entity must 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)  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.

(c)  The comptroller may 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)  The comptroller shall notify a taxable entity in writing of the comptroller's decision to grant or deny the application under Subsection (a). If the comptroller denies a taxable entity's application, the comptroller shall include in the notice of denial the reasons for the comptroller's decision.

Sec. 171.808.  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. 171.809.  RULES. The commission and the comptroller may adopt rules and procedures necessary to implement, administer, and enforce this subchapter.

Sec. 171.810.  EXPIRATION. (a) This subchapter expires January 1, 2028.

(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 4.  Subtitle I, Title 2, Tax Code, is amended by adding Chapter 203 to read as follows:

CHAPTER 203. STRONG FAMILIES TAX CREDIT

Sec. 203.001.  DEFINITIONS.  In this chapter, "designated contribution," "eligible organization," and "strong families credit" have the meanings assigned by Section 171.801.

Sec. 203.002.  ELIGIBILITY. 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 or 202.

Sec. 203.003.  AMOUNT OF CREDIT; LIMITATIONS. (a) Subject to Subsections (b) and (c), the amount of a producer's credit for a state fiscal year is equal to the lesser of:

(1)  the amount of designated contributions made to eligible organizations during the state fiscal year; or

(2)  the amount of taxes paid by the producer under Chapter 201 or 202, as applicable, during the state fiscal year.

(b)  The maximum amount of strong families credits that may be awarded is the amount provided by Section 171.805(c).

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

(d)  The comptroller shall allocate strong families credits as provided by Section 171.805(d).

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

(b)  The person responsible for paying the tax 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 person is eligible for the credit under this section.

(c)  The comptroller may 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)  The comptroller shall notify a person in writing of the comptroller's decision to grant or deny the application under Subsection (a). If the comptroller denies a person's application, the comptroller shall include in the notice of denial the reasons for the comptroller's decision.

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

Sec. 203.006.  EXPIRATION. (a) This chapter expires January 1, 2028.

(b)  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) An entity may 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)  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, apply only to a report originally due on or after January 1, 2026.

SECTION 6.  This Act takes effect January 1, 2026.