

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

1 this subchapter to another entity unless substantially all of the
2 assets of the taxable entity are conveyed, assigned, or transferred
3 in the same transaction.

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

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

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

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

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

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

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

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

26 (b) The expiration of this subchapter does not affect the
27 carryforward of a credit under Section 171.705 or a credit for which

1 an entity applies after the date this subchapter expires based on a
2 cost for which a taxable entity became eligible for a credit before
3 that date.

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

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