

By: Hughes

S.B. No. 1097

A BILL TO BE ENTITLED

AN ACT

relating to a franchise tax credit for taxable entities that make contributions to employees' Texas 529 plans.

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

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

SUBCHAPTER U. TAX CREDIT FOR TEXAS 529 PLAN CONTRIBUTION

Sec. 171.9231. DEFINITIONS. In this subchapter:

(1) "Texas 529 plan" means a qualified tuition program under Section 529, Internal Revenue Code of 1986, as amended, administered by the Prepaid Higher Education Tuition Board under Chapter 54, Education Code.

(2) "Texas 529 plan contribution" means the dollar amount of a contribution made by a taxable entity to a Texas 529 plan owned by an employee of the entity. The term does not include salary or wages paid by the taxable entity to the employee for the employee's service.

Sec. 171.9232. ENTITLEMENT TO CREDIT. A taxable entity is entitled to a credit in the amount and under the conditions provided by this subchapter against the tax imposed under this chapter.

Sec. 171.9233. QUALIFICATION. A taxable entity qualifies for a credit under this subchapter if the taxable entity contributes to at least one Texas 529 plan of each employee of the taxable entity who owns one or more Texas 529 plans and agrees to

1 allow the entity to contribute to the plan.

2 Sec. 171.9234. AMOUNT OF CREDIT; LIMITATION. (a) Subject
3 to Subsection (b), the amount of the credit a taxable entity may
4 claim on a report is equal to 25 percent of the total amount of Texas
5 529 plan contributions made by the entity during the period on which
6 the report is based.

7 (b) The total credit claimed on a report, including the
8 amount of any carryforward under Section 171.9235, may not exceed
9 the amount of franchise tax due for the report after applying all
10 other applicable credits.

11 Sec. 171.9235. CARRYFORWARD. (a) If a taxable entity is
12 eligible for a credit that exceeds the limitation under Section
13 171.9234(b), the entity may carry the unused credit forward for not
14 more than five consecutive reports.

15 (b) A carryforward is considered the remaining portion of a
16 credit that cannot be claimed on a report because of the limitation
17 under Section 171.9234(b).

18 (c) Credits, including a carryforward, are considered to be
19 used in the following order:

- 20 (1) a carryforward under this section; and
21 (2) a credit for the period on which the report is
22 based.

23 Sec. 171.9236. APPLICATION FOR CREDIT. (a) A taxable
24 entity must apply for a credit under this subchapter on or with the
25 report for the period for which the credit is claimed.

26 (b) A taxable entity must apply for the credit in the manner
27 prescribed by the comptroller and include with the application any

1 information requested by the comptroller to determine whether the
2 entity is eligible for the credit under this subchapter.

3 Sec. 171.9237. SALE OR ASSIGNMENT OF CREDIT. (a) A taxable
4 entity that makes a Texas 529 plan contribution may sell or assign
5 all or part of the credit that may be claimed for that contribution
6 to one or more taxable entities, and any taxable entity to which all
7 or part of the credit is sold or assigned may sell or assign all or
8 part of the credit to another taxable entity. There is no limit on
9 the total number of transactions for the sale or assignment of all
10 or part of the total credit authorized under this subchapter.

11 (b) A taxable entity that sells or assigns a credit under
12 this section and the taxable entity to which the credit is sold or
13 assigned shall jointly submit written notice of the sale or
14 assignment to the comptroller not later than the 30th day after the
15 date of the sale or assignment. The notice must include:

16 (1) the date on which the credit was originally
17 established;

18 (2) the date of the sale or assignment;

19 (3) the amount of the credit sold or assigned and the
20 remaining period during which it may be used;

21 (4) the names, addresses, and federal tax
22 identification numbers of the taxable entity that sold or assigned
23 the credit or part of the credit and the taxable entity to which the
24 credit or part of the credit was sold or assigned; and

25 (5) the amount of the credit owned by the selling or
26 assigning taxable entity before the sale or assignment, and the
27 amount the selling or assigning taxable entity retained, if any,

1 after the sale or assignment.

2 (c) The sale or assignment of a credit in accordance with
3 this section does not extend the period for which a credit may be
4 carried forward.

5 (d) After a taxable entity claims a credit for a Texas 529
6 plan contribution under this subchapter, another entity may not use
7 the same expenditure as the basis for another credit.

8 Sec. 171.9238. RULES. The comptroller shall adopt rules
9 necessary to implement and administer this subchapter.

10 SECTION 2. Subchapter U, Chapter 171, Tax Code, as added by
11 this Act, applies only to a report originally due on or after
12 January 1, 2026.

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