

- SUBJECT:** Requiring the LBB to study research and development franchise tax credits
- COMMITTEE:** Ways and Means — committee substitute recommended
- VOTE:** 11 ayes — Hilderbran, Otto, Christian, Elkins, Gonzalez, Lyne, Martinez Fischer, Murphy, Ritter, Villarreal, Woolley
- 0 nays
- WITNESSES:** For — (*Registered, but did not testify:* Bill Allaway, Texas Taxpayers and Research Association; Luke Bellsnyder, Texas Association of Manufacturers; Jeffrey Clark, Technology Association of America (TechAmerica); Lee Couch, Bell Helicopter Textron; Kathy Grant, AT&T; Bill Hammond, Texas Association of Business; Larry McGinnis, The Boeing Company; Hector Rivero, Texas Chemical Council; Jennifer Rodriguez, Lockheed Martin Aeronautics Company)
- Against — None
- BACKGROUND:** Prior to its repeal in HB 3 by the 79th Legislature in its third called session in 2006, the research and development franchise tax credit allowed a business to receive a 5-percent tax credit for the amount of increased research and development expenditure over the company's historical spending levels on research and development. The credit was capped at half of a business's franchise tax payment.
- DIGEST:** CSHB 2383 would require the Legislative Budget Board (LBB) to conduct a study of the costs and benefits of reenacting the tax credit for research and development that was in effect before the enactment of HB 3 in 2006 by the 79th Legislature. The LBB also would have to study the types of research and development incentives available in other states.
- The LBB would be allowed to seek assistance from other state agencies, but the study could be completed only with existing resources. The LBB would have to report the results of the study to the Legislature by January 1, 2013. The bill's provisions would expire September 1, 2013.

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The bill would take immediate effect if finally passed by a two-thirds record vote of the membership of each house. Otherwise, it would take effect September 1, 2011.

NOTES:

The companion bill, SB 1458 by Harris, was referred to the Senate Finance Committee on March 22.