

BILL ANALYSIS

Senate Research Center
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S.B. 224
By: Haywood
Agriculture
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As Filed

DIGEST

Currently, a large percentage of Texas agricultural products are shipped out of Texas for processing as there are few incentives for agricultural processing businesses to locate in this state. This bill would provide incentives, through franchise and/or sales tax credits, for businesses locating in this state to process agricultural products from Texas.

PURPOSE

As proposed, S.B. 224 provides tax incentives for certain agricultural processing companies locating or expanding in Texas.

RULEMAKING AUTHORITY

Rulemaking authority is granted to the Comptroller of Public Accounts in SECTION 2 (Section 171.708, Chapter 171N, Tax Code) of this bill.

SECTION BY SECTION ANALYSIS

SECTION 1. Amends Chapter 151H, Tax Code, by adding Section 151.3185, as follows:

Sec. 151.3185. TAXABLE ITEMS SOLD OR USED BY CERTAIN AGRICULTURAL PROCESSORS. Defines “ agricultural processor,” “agricultural product,” “economically distressed county,” “qualified agricultural processor,” and “ rural county.” Exempts from taxes any taxable item purchased, leased, rented, stored, or used by an agricultural processing business of a qualified agricultural processor. Sets forth criteria under which an agricultural processor qualifies for an exemption under this section. Authorizes a qualified agricultural processor that is not a corporation subject to taxation under Chapter 171 to claim the exemption only for three years from the date of constructing, expanding or leasing a necessary facility to the agricultural processing business. Authorizes a qualified agricultural processor that is a corporation subject to taxation under Chapter 171 to claim the exemption only for one year from the date of constructing, expanding, or leasing a necessary facility to the agricultural processing business. Requires a corporation to apply to the comptroller for the exemption. Provides that the burden of establishing entitlement to an exemption is on the agricultural processor.

SECTION 2. Amends Chapter 171, Tax Code, by adding Subchapter N, as follows:

SUBCHAPTER N. CREDIT FOR CERTAIN AGRICULTURAL PROCESSORS

Sec. 171.701. DEFINITIONS. Defines “ agricultural processor,” “agricultural product,” “economically distressed county,” “new permanent employee,” and “rural county.”

Sec. 171.702. ENTITLEMENT TO CREDIT. Provides that a corporation is entitled to a credit as set out in this subchapter against the tax imposed by this chapter.

Sec. 171.703. TYPES OF CORPORATIONS THAT QUALIFY FOR CREDIT. Sets forth criteria under which a corporation qualifies for a credit under this subchapter. Sets forth the procedures for calculating the value of the corporation’s overall investment. Establishes procedures for calculating the value of a new permanent job created by a corporation.

Sec. 171.704. AMOUNT OF CREDIT. Sets forth a procedure for calculating the total

amount of credit for which a corporation may qualify during a certain period. Establishes guidelines for the expiration of a credit related to a particular new permanent employee. Requires a qualified corporation to take a credit in five equal installments.

Sec. 171.705. **LIMITATIONS.** Prohibits a credit from exceeding 50 percent of the net franchise tax amount due for a certain period after any other applicable tax credits. Prohibits the amount of the credit from reducing the tax owed below zero.

Sec. 171.706. **CARRYOVER.** Authorizes a corporation to carry the credit forward to consecutive reports if the credit exceeds the limitation set out in Section 171.705.

Sec. 171.707. **CONVEYANCE, ASSIGNMENT, OR TRANSFER.** Prohibits a corporation from conveying, assigning, or transferring a credit to another person.

Sec. 171.708. **RULES.** Requires the Comptroller of Public Accounts (comptroller) to adopt rules to implement this subchapter.

SECTION 3. Amends Chapter 403B, Government Code, by adding Section 403.0255, as follows:

Sec. 403.0255. **INCENTIVES FOR AGRICULTURAL PROCESSORS.** Requires the comptroller to promote awareness of incentives for agricultural processors. Requires the comptroller to recruit the governor's office and other state agencies to participate in a coordinated campaign to increase the awareness of incentives for agricultural processors.

SECTION 4. Effective date: January 1, 2000.

Makes application of this Act prospective.

SECTION 5. Emergency clause.