

BILL ANALYSIS

Senate Research Center
80R6571 DLF-F

H.B. 1741
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Business & Commerce
4/27/2007
Engrossed

AUTHOR'S / SPONSOR'S STATEMENT OF INTENT

The Texas Certified Capital Companies program was established to create economic development focused on small and emerging businesses located throughout this state. This legislation targets certain low-income and rural areas of the state with a guaranteed minimum level of investment. This investment is funded by the securitization of insurance premium tax credits. To accomplish this purpose, legislation was enacted establishing premium tax credits to be claimed by insurance companies that invested in state-approved certified capital companies. These credits are prohibited from being utilized any earlier than 2009. Insurance companies were granted \$200 million in available tax credits upon investment in qualified debt instruments during 2005. These premium tax credits are authorized to be used at a maximum rate of 25 percent per year.

H.B. 1741 provides for the Texas Certified Capital Companies program to be renewed for another round of financing.

RULEMAKING AUTHORITY

Rulemaking authority previously granted to the comptroller of public accounts is modified in SECTION 2 (Article 4.52, Insurance Code) of this bill.

SECTION BY SECTION ANALYSIS

SECTION 1. Amends Article 4.51, Insurance Code, by adding Subdivisions (16), (17), and (18), to define "low-income community," "Program One," and "Program Two."

SECTION 2. Amends Article 4.52, Insurance Code, as follows:

Art. 4.52. DUTIES OF COMPTROLLER; RULES; IMPLEMENTATION. Requires the comptroller of public accounts (comptroller), as a requirement of inclusion in the rules adopted under this subchapter (Premium Tax Credit for Investment in Certified Capital Company), to accept premium tax credit allocation claims on behalf of certified investors with respect to Program Two not later than January 1, 2008, rather than on behalf of certified investors on a date not later than the 120th day after the date the rules are adopted. Deletes existing text requiring the comptroller, as a requirement of inclusion in the rules adopted under this subchapter, to begin accepting applications for certification as a certified capital company not later than the 30th day after the date the rules are adopted.

SECTION 3. Amends Article 4.56(b), Insurance Code, to require at least 30 percent of the amount of qualified investments required by Subsections (a)(1) and (2) of this article (Requirements for Continuance of Certification) to be placed in a strategic investment or low-income community business.

SECTION 4. Amends Article 4.57, Insurance Code, to authorize a certified capital company, before making an investment in business, to request from the comptroller a written opinion as to whether the business in which it proposes to invest is a qualified business, an early stage business, or a strategic investment or low-income community business. Makes conforming changes.

SECTION 5. Amends Article 4.65, Insurance Code, by amending Subsection (a) and adding Subsections (a-1) and (a-2), as follows:

(a) Makes no changes to this subsection.

(a-1) Creates this subsection from existing text. Authorizes, with respect to credits earned as a result of investments made under Program One, a certified investor, beginning with the tax report due March 1, 2009, for the 2008 tax year, to take up to 25 percent of the vested premium tax credit in any taxable year of the certified investor.

(a-2) Authorizes, with respect to credits earned as a result of investments made under Program Two, a credited investor, beginning with the tax report due March 1, 2013, for the 2012 tax year, to take up to 25 percent of the vested premium tax credit in any taxable year of the certified investor. Prohibits the credit from being applied to estimated payments due in 2012.

SECTION 6. Amends Article 4.66(a), Insurance Code, to make conforming changes.

SECTION 7. Amends Article 4.67, Insurance Code, as follows:

Art. 4.67. TOTAL LIMIT ON CREDITS. (a) Provides that the total amount of certified capital for which premium tax credits may be allowed under this subchapter (Premium Tax Credit for Investment in Certified Capital Company) for all years in which premium tax credits are allowed is \$200 million for Program One and \$200 million for Program Two, rather than \$200 million total.

(b) Prohibits the total amount of certified capital for which premium tax credits may be allowed for all certified investors under this subchapter from exceeding the amount that would entitle all certified investors in certified capital companies to take total credits of \$50 million in a year with respect to Program One and \$50 million in a year with respect to Program Two, rather than \$50 million total.

(c) Makes conforming changes.

SECTION 8. Amends Articles 4.68(a), (b), (c), and (e), Insurance Code, to make conforming changes.

SECTION 9. Effective date: September 1, 2007.