

BILL ANALYSIS

Senate Research Center

S.B. 550
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Finance
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Enrolled

AUTHOR'S / SPONSOR'S STATEMENT OF INTENT

The 83rd Texas Legislature established the Texas Historic Preservation Tax Credit Program, which provides a state franchise tax credit for the rehabilitation of certified historic structures.

An important feature of the preservation tax program is an entity's ability to sell credits earned under the program to other entities for use against a franchise tax liability. This ability allows investors a way to monetize the credits, and that improves their return on investment. This is important because the restoration of historic structures is a complex and expensive process, and the credit is often the deciding factor in whether to proceed with a rehabilitation project.

Although the credits are freely transferable, a large group of potential buyers were not accounted for when the program was established—insurance companies. Insurance companies are exempt from the franchise tax because they pay the premium tax under the Insurance Code. Consequently, a credit that is applicable only to the franchise tax is of no value to them.

Allowing the credits earned under this program to be transferred to an entity that will use them against either the franchise tax or the insurance premium tax will provide a broader opportunity to sell the credits. An expanded market makes the credits more desirable and further enhances a program that rewards investors for restoring historical buildings throughout the state that have been sitting in disrepair, sometimes for decades.

S.B. 550 amends current law relating to the sale or assignment of tax credits for the certified rehabilitation of certified historic structures.

RULEMAKING AUTHORITY

This bill does not expressly grant any additional rulemaking authority to a state officer, institution, or agency.

SECTION BY SECTION ANALYSIS

SECTION 1. Amends Section 171.908, Tax Code, by adding Subsection (e), as follows:

(e) Authorizes an entity to which all or part of a credit is sold or assigned and that is subject to a premium tax imposed under Chapter 221 (Property and Casualty Insurance Premium Tax), Chapter 222 (Life, Health, and Accident Insurance Premium Tax), Chapter 223 (Title Insurance Premium Tax), or Chapter 224 (Reciprocal and Interinsurance Exchange Premium Tax), Insurance Code, to claim all or part of the credit against that tax. Provides that certain provisions of this subchapter (Tax Credit for Certified Rehabilitation of Certified Historic Structures) apply with respect to a credit claimed against a tax imposed under Chapter 221, 222, 223, or 224, Insurance Code, to the same extent those provisions apply to a credit claimed against a tax imposed under this chapter (Franchise Tax). Provides that an entity claiming all or part of a credit as authorized by this subsection is not required to pay any additional retaliatory tax levied under Chapter 281 (Retaliatory Provisions), Insurance Code, as a result of claiming that credit.

SECTION 2. Effective date: upon passage or September 1, 2017.