

SUBJECT: Franchise tax credit for hiring blind or disabled employees

COMMITTEE: Ways and Means — favorable, with amendment

VOTE: 8 ayes — Oliveira, McCall, Craddick, Hartnett, Y. Davis, Keffer, Ramsay, Ritter

0 nays

3 absent — Bonnen, Heflin, Hilbert

SENATE VOTE: On final passage, April 26 — voice vote

WITNESSES: For — Dennis Borel, Coalition of Texans with Disabilities; Jonas Schwartz, Advocacy, Inc.

Against — None

BACKGROUND: Tax Code, chapter 171 imposes a state franchise tax on Texas corporations and sets forth the rules related to that tax. Federal tax law permits a tax credit for hiring certain disabled people.

DIGEST: SB 63 would establish a franchise tax credit for a corporation that, on or after January 1, 2002, hired a blind or disabled person who was receiving social security disability benefits, if the employee:

- ! was based or located in Texas;
- ! earned at least the minimum wage;
- ! remained continuously employed for at least six months;
- ! worked an average of at least 20 hours per week; and
- ! received the same benefits as the employer's other workers.

The franchise taxpayer could claim a credit in the amount of 10 percent of the wages of each qualified employee for the first two years of the employee's tenure and could not claim the credit if it would cause the employer's total tax credits to exceed 50 percent of the net tax owed in that tax year.

The corporation would have to claim the credit on or with the tax report for the period, on a form promulgated by the comptroller, and could claim credit only for wages paid during the period for which the tax was owed. The comptroller would have to adopt the rules necessary to implement the tax credit.

The bill would take effect on January 1, 2002, and would apply only to a report originally due and to wages paid on or after that date.

**SUPPORTERS
SAY:**

SB 63 would encourage the employment of blind and disabled people by helping defray any extra costs the employer would incur in training those employees or in adapting a work environment to their disabilities.

Any loss in tax revenue as a result of this bill likely would be more than made up for by the employment of some people who otherwise might be on public assistance and Medicaid. These employees would be paying taxes and receiving private health insurance benefits. Such savings — especially those from Medicaid — could be significant, given that these employees generally are more likely to need more medical care than the average Medicaid recipient. In fact, one dynamic fiscal analysis showed a net positive fiscal impact.

**OPPONENTS
SAY:**

Although increasing employment of the blind and disabled is a worthy goal, SB 63 would cost the state more than \$1 million per year once the bill was implemented fully. The state cannot afford the lost tax revenue. Moreover, employers already can receive tax credits from the federal government, so the state does not need to forgo tax revenue to encourage employers to hire these workers. If the state is going to forgo this revenue, it should target its tax incentives to help those whom the federal government does not help.

NOTES:

The committee amendment to the Senate engrossed version would specify that a qualified employee's position would have to be based or located in Texas.

The bill's fiscal note estimates that the franchise tax credit would cost the state \$506,000 in general revenue in fiscal 2003 and between \$1.2 million and \$1.3 million per year thereafter.

