

BILL ANALYSIS

Senate Research Center
85R13726 ADM-D

C.S.S.B. 518
By: Miles
Finance
4/3/2017
Committee Report (Substituted)

AUTHOR'S / SPONSOR'S STATEMENT OF INTENT

The bill amends Chapter 171, Tax Code, regarding the franchise tax, to add a franchise tax credit for providing paid internships to certain students. A taxable entity would qualify for a credit for each eligible student who completes an eligible internship offered by the taxable entity.

"Eligible student" would be defined as a high school student who has reached the minimum age under the Texas Labor Code to work in the eligible internship program. "Eligible internship program" would be defined as a paid internship or other program that meets Texas Workforce Commission rules adopted as part of curriculum requirements for an endorsement under the Education Code, or is a course of study in a nontraditional secondary education similar to the curriculum requirements adopted by the commissioner of education.

The amount of credit would be \$1,000 for each eligible student who completes an eligible internship program offered by the taxable entity in this state. The Texas comptroller of public accounts would be directed to promulgate an application form for the credit. A taxable entity could claim a credit against tax owed for a privilege period only for students who complete eligible internship programs during the privilege period.

The bill takes effect on January 1, 2018. Credit for an internship could be earned only for an internship that is completed on or after the effective date of the bill and only on a franchise tax due on or after January 1, 2018.

Committee Substitute for S.B. 518:

Cap the franchise tax credit at a total of \$5 million per biennium.

Charge Texas Southern University with a biennial study to assess the impact of the credit.

Background:

Gov. Greg Abbott's Tri-Agency taskforce recommended a substantial increase in "the number of high school and college internships, such as paid internships and externships, that augment apprenticeships—including during the summer—in high-demand industry clusters and occupations that provide students with course credit and emphasize strong work habits."

Texas Association of Business recommends the 85th Legislature "support a franchise tax credit or other tax credit for companies offering an internship or apprenticeship for high school students in a recognized Career and Technology Education (CTE) pathway program."

ALEC Recommendation: Growing Our Workforce Investment Now (Go Win) offers a tax credit of \$1,000 to employers who employ either an apprentice or a trainee in an occupational skills training program, who is pursuing an industry-recognized and nationally portable credential.

Montana, Florida, Colorado, Minnesota and Mississippi have created similar tax credit programs to encourage internships and help defray their cost. (Original Author's / Sponsor's Statement of Intent)

C.S.S.B. 518 amends current law relating to a franchise tax credit for entities that employ certain students in certain paid internship or similar programs.

RULEMAKING AUTHORITY

Rulemaking authority is expressly granted to the Texas comptroller of public accounts in SECTION 1 (Section 171.874, Tax Code) of this bill.

Rulemaking authority is expressly granted to the Texas Workforce Commission in SECTION 1 (Section 171.875, Tax Code) of this bill.

SECTION BY SECTION ANALYSIS

SECTION 1. Amends Chapter 171, Tax Code, by adding Subchapter R, as follows:

SUBCHAPTER R. TAX CREDIT FOR PAID INTERNSHIPS GIVEN TO CERTAIN HIGH SCHOOL STUDENTS

Sec. 171.871. DEFINITIONS. Defines “commission,” “eligible internship program,” and “eligible student.”

Sec. 171.872. ENTITLEMENT TO CREDIT. Provides that a taxable entity is entitled to a credit in the amount and under the conditions provided by this subchapter against the tax imposed under this chapter (Franchise Tax).

Sec. 171.873. QUALIFICATION FOR CREDIT. Provides that a taxable entity qualifies for a credit for each eligible student who completes an eligible internship program offered by the taxable entity.

Sec. 171.874. AMOUNT OF CREDIT; LIMITATIONS. (a) Provides that the amount of the credit is \$1,000 for each eligible student who completes an eligible internship program offered by the taxable entity.

(b) Authorizes the taxable entity to claim the credit only for an eligible internship program offered by the taxable entity that is located or based in this state.

(c) Prohibits a taxable entity from claiming the credit in connection with an eligible student if an owner of the taxable entity is related to the eligible student within the third degree of consanguinity as determined under Subchapter B (Relationships by Consanguinity or by Affinity), Chapter 573 (Degrees of Relationship; Nepotism Prohibitions), Government Code.

(d) Prohibits the total amount of tax credits authorized to be awarded under this subchapter from exceeding \$5 million in a state fiscal biennium.

(e) Requires the Texas comptroller of public accounts (comptroller), by rule, to prescribe procedures by which the comptroller is authorized to allocate credits under this subchapter. Requires that the procedures provide that credits are allocated to taxable entities that apply under Section 171.876 on a first-come, first-served basis.

Sec. 171.875. COMMISSION RULES. Requires the Texas Workforce Commission (TWC), after consulting with the commissioner of education, to adopt rules providing the requirements that an internship or similar program must meet to be considered an eligible internship program.

Sec. 171.876. APPLICATION FOR CREDIT. (a) Requires a taxable entity to apply for a credit on or with the tax report for the period for which the credit is claimed.

(b) Requires the comptroller to promulgate a form for the application for the credit. Requires a taxable entity to use this form in applying for the credit.

Sec. 171.877. PERIOD FOR WHICH CREDIT MAY BE CLAIMED. Authorizes a taxable entity to claim a credit against the tax owed for a privilege period only in connection with an eligible student who completes an eligible internship program during the privilege period.

Sec. 171.878. BIENNIAL STUDY AND REPORT. (a) Provides that, in this section, “school” refers to the school of public affairs at Texas Southern University.

(b) Requires that the school biennially study and report on the effectiveness of the tax credit established by this subchapter in creating jobs and requires that the report include, to the extent available, certain information for the period covered by the report.

(c) Requires the comptroller, the Texas Higher Education Coordinating Board, and any other appropriate state agency, to the extent allowed by law, to assist the school in obtaining the information needed to prepare the required report.

(d) Requires the school, not later than December 1 of each even-numbered year, to submit the required report to the governor, the lieutenant governor, and the legislature. Authorizes the report to be submitted electronically.

SECTION 2. Authorizes a taxable entity to claim the credit under Subchapter R, Chapter 171, Tax Code, as added by this Act, only in connection with an eligible student who completes a paid internship or similar program on or after the effective date of this Act and only on a franchise tax report originally due under Chapter 171, Tax Code, on or after that date.

SECTION 3. Provides that the first report required by Section 171.878, Tax Code, as added by this Act, is due not later than December 1, 2018.

SECTION 4. Effective date: January 1, 2018.