

1-1 By: Miles, et al. S.B. No. 518
 1-2 (In the Senate - Filed January 18, 2017; February 6, 2017,
 1-3 read first time and referred to Committee on Finance;
 1-4 April 5, 2017, reported adversely, with favorable Committee
 1-5 Substitute by the following vote: Yeas 11, Nays 3; April 5, 2017,
 1-6 sent to printer.)

1-7 COMMITTEE VOTE

	Yea	Nay	Absent	PNV
1-8				
1-9	X			
1-10	X			
1-11		X		
1-12	X			
1-13	X			
1-14			X	
1-15		X		
1-16	X			
1-17		X		
1-18	X			
1-19	X			
1-20	X			
1-21	X			
1-22	X			
1-23	X			

1-24 COMMITTEE SUBSTITUTE FOR S.B. No. 518 By: Uresti

1-25 A BILL TO BE ENTITLED
 1-26 AN ACT

1-27 relating to a franchise tax credit for entities that employ certain
 1-28 students in certain paid internship or similar programs.

1-29 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF TEXAS:

1-30 SECTION 1. Chapter 171, Tax Code, is amended by adding
 1-31 Subchapter R to read as follows:

1-32 SUBCHAPTER R. TAX CREDIT FOR PAID INTERNSHIPS GIVEN TO CERTAIN HIGH
 1-33 SCHOOL STUDENTS

1-34 Sec. 171.871. DEFINITIONS. In this subchapter:

1-35 (1) "Commission" means the Texas Workforce
 1-36 Commission.

1-37 (2) "Eligible internship program" means a paid
 1-38 internship or similar program that:

1-39 (A) meets the requirements of rules adopted by
 1-40 the commission under Section 171.875; and

1-41 (B) is part of the curriculum requirements for an
 1-42 endorsement under Section 28.025(c-1), Education Code.

1-43 (3) "Eligible student" means a student enrolled in a
 1-44 public high school who has reached the minimum age required under
 1-45 Chapter 51, Labor Code, to legally work in the eligible internship
 1-46 program.

1-47 Sec. 171.872. ENTITLEMENT TO CREDIT. A taxable entity is
 1-48 entitled to a credit in the amount and under the conditions provided
 1-49 by this subchapter against the tax imposed under this chapter.

1-50 Sec. 171.873. QUALIFICATION FOR CREDIT. A taxable entity
 1-51 qualifies for a credit under this subchapter for each eligible
 1-52 student who completes an eligible internship program offered by the
 1-53 taxable entity.

1-54 Sec. 171.874. AMOUNT OF CREDIT; LIMITATIONS. (a) The
 1-55 amount of the credit is \$1,000 for each eligible student who
 1-56 completes an eligible internship program offered by the taxable
 1-57 entity.

1-58 (b) A taxable entity may claim the credit only for an
 1-59 eligible internship program offered by the taxable entity that is
 1-60 located or based in this state.

2-1 (c) A taxable entity may not claim the credit in connection
 2-2 with an eligible student if an owner of the taxable entity is
 2-3 related to the eligible student within the third degree of
 2-4 consanguinity as determined under Subchapter B, Chapter 573,
 2-5 Government Code.

2-6 (d) The total amount of tax credits that may be awarded
 2-7 under this subchapter may not exceed \$5 million in a state fiscal
 2-8 biennium.

2-9 (e) The comptroller by rule shall prescribe procedures by
 2-10 which the comptroller may allocate credits under this subchapter.
 2-11 The procedures must provide that credits are allocated to taxable
 2-12 entities that apply under Section 171.876 on a first-come,
 2-13 first-served basis.

2-14 Sec. 171.875. COMMISSION RULES. The commission, after
 2-15 consulting with the commissioner of education, shall adopt rules
 2-16 providing the requirements that an internship or similar program
 2-17 must meet to be considered an eligible internship program under
 2-18 this subchapter.

2-19 Sec. 171.876. APPLICATION FOR CREDIT. (a) A taxable
 2-20 entity must apply for a credit under this subchapter on or with the
 2-21 tax report for the period for which the credit is claimed.

2-22 (b) The comptroller shall promulgate a form for the
 2-23 application for the credit. A taxable entity must use the form in
 2-24 applying for the credit.

2-25 Sec. 171.877. PERIOD FOR WHICH CREDIT MAY BE CLAIMED. A
 2-26 taxable entity may claim a credit under this subchapter against the
 2-27 tax owed for a privilege period only in connection with an eligible
 2-28 student who completes an eligible internship program during the
 2-29 privilege period.

2-30 Sec. 171.878. BIENNIAL STUDY AND REPORT. (a) In this
 2-31 section, "school" refers to the school of public affairs at Texas
 2-32 Southern University.

2-33 (b) The school shall biennially study and report on the
 2-34 effectiveness of the tax credit established by this subchapter in
 2-35 creating jobs. The report must include, to the extent available,
 2-36 for the period covered by the report:

2-37 (1) the total number of eligible internship programs
 2-38 offered in which eligible students participated and the total
 2-39 amount of credits claimed by taxable entities for those internship
 2-40 programs;

2-41 (2) the total number of eligible students who
 2-42 completed an eligible internship program and who were subsequently
 2-43 hired for a permanent job in this state by the taxable entity that
 2-44 offered the program;

2-45 (3) for the permanent jobs described by Subdivision
 2-46 (2):

2-47 (A) the median wage of those jobs;
 2-48 (B) the North American Industry Classification
 2-49 System classification of each of those jobs; and

2-50 (C) the number of those jobs that provide health
 2-51 benefits coverage;

2-52 (4) the number of taxable entities receiving a credit
 2-53 that are historically underutilized businesses, as that term is
 2-54 defined by Section 2161.001, Government Code, and the total amount
 2-55 of credits claimed by those entities; and

2-56 (5) demographic information on students participating
 2-57 in eligible internship programs under this subchapter, including
 2-58 the schools in which the students are enrolled, to the extent
 2-59 allowed under state and federal law.

2-60 (c) To the extent allowed by law, the comptroller, the Texas
 2-61 Higher Education Coordinating Board, and any other appropriate
 2-62 state agency shall assist the school in obtaining the information
 2-63 needed to prepare the report required under Subsection (b).

2-64 (d) Not later than December 1 of each even-numbered year,
 2-65 the school shall submit the report required under Subsection (b) to
 2-66 the governor, the lieutenant governor, and the legislature. The
 2-67 report may be submitted electronically.

2-68 SECTION 2. A taxable entity may claim the credit under
 2-69 Subchapter R, Chapter 171, Tax Code, as added by this Act, only in

3-1 connection with an eligible student who completes a paid internship
3-2 or similar program on or after the effective date of this Act and
3-3 only on a franchise tax report originally due under Chapter 171, Tax
3-4 Code, on or after that date.

3-5 SECTION 3. The first report required by Section 171.878,
3-6 Tax Code, as added by this Act, is due not later than December 1,
3-7 2018.

3-8 SECTION 4. This Act takes effect January 1, 2018.

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