

By: Allison

H.B. No. 3423

A BILL TO BE ENTITLED

1 AN ACT  
2 relating to ad valorem and franchise tax credits for donations to  
3 school districts to create or support career and technical  
4 education programs or courses.

5 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF TEXAS:

6 SECTION 1. Chapter 31, Tax Code, is amended by adding  
7 Section 31.038 to read as follows:

8 Sec. 31.038. SCHOOL DISTRICT TAX CREDIT FOR DONATIONS TO  
9 CREATE OR SUPPORT CAREER AND TECHNICAL EDUCATION PROGRAMS OR  
10 COURSES. (a) In this section:

11 (1) "Business entity" means a legal entity, including  
12 a corporation or partnership, that is formed for the purpose of  
13 making a profit.

14 (2) "Career and technical education" means training  
15 that teaches new private sector workplace skills, adds value to the  
16 wage-earning potential of participants, and increases the  
17 long-term employability of participants.

18 (3) "Principal office" means the location in this  
19 state where the decision makers for a business entity conduct the  
20 daily affairs of the business.

21 (b) An owner of real property located in a school district  
22 is entitled to a credit against the taxes imposed in a tax year on  
23 that property by the district if:

24 (1) the property owner is a business entity;

1           (2) the property owner's principal office is located  
2 in the district; and

3           (3) the property owner donates money to the district  
4 to create a new career and technical education program or course in  
5 the district or to expand an existing career and technical  
6 education program or course in the district.

7           (c) The amount of the credit to which a property owner is  
8 entitled under this section against the taxes imposed by the school  
9 district on the owner's property in a tax year is equal to the  
10 lesser of \$5 million or an amount equal to:

11           (1) for a donation described by Subsection (b)(3) that  
12 is made during the preceding 12-month period and that does not  
13 exceed \$100,000, 50 percent of the amount of the donation;

14           (2) for a donation described by Subsection (b)(3) that  
15 is made during the preceding 12-month period and that exceeds  
16 \$100,000 but does not exceed \$300,000, \$50,000 plus 100 percent of  
17 the amount of the donation that exceeds \$100,000; or

18           (3) for a donation described by Subsection (b)(3) that  
19 is made during the preceding 12-month period and that exceeds  
20 \$300,000, \$250,000 plus 50 percent of the amount of the donation  
21 that exceeds \$300,000.

22           (d) Notwithstanding Subsection (c), the amount of the  
23 credit to which a property owner is entitled under this section in  
24 any tax year may not exceed the amount of taxes imposed by the  
25 school district on the property owner's property in that tax year.

26           (e) The property owner must file an application each year  
27 with the chief appraiser of the appraisal district in which the

1 property is located to receive a credit under this section. The  
2 application must include an affidavit stating the donations made  
3 under Subsection (b)(3) by the property owner during the preceding  
4 12-month period and include any relevant information or  
5 documentation required by the application form.

6 (f) The chief appraiser shall forward a copy of the  
7 application to the comptroller and to the school district described  
8 by Subsection (b).

9 (g) The comptroller shall determine whether the donation  
10 qualifies for a credit under this section. A determination of the  
11 comptroller is subject to appeal under the provisions of this title  
12 applicable to an order of the comptroller apportioning the  
13 appraised value of railroad rolling stock among counties.

14 (h) The comptroller shall adopt rules for the  
15 administration of this section, including rules prescribing the  
16 form of an application for a credit, specifying the 12-month period  
17 for which the donations are used to calculate the credit, and  
18 governing appeals of comptroller determinations under Subsection  
19 (g).

20 SECTION 2. Chapter 171, Tax Code, is amended by adding  
21 Subchapter K-2 to read as follows:

22 SUBCHAPTER K-2. TAX CREDIT FOR DONATIONS TO CREATE OR EXPAND CAREER  
23 AND TECHNICAL EDUCATION PROGRAMS OR COURSES

24 Sec. 171.581. DEFINITIONS. In this subchapter, "career and  
25 technical education" and "principal office" have the meanings  
26 assigned by Section 31.038.

27 Sec. 171.582. ENTITLEMENT TO CREDIT. A taxable entity is

1 entitled to a credit in the amount and under the conditions and  
2 limitations provided by this subchapter against the tax imposed  
3 under this chapter.

4 Sec. 171.583. DONATION OF MONEY TO SCHOOL DISTRICT FOR  
5 CAREER AND TECHNICAL EDUCATION PROGRAM OR COURSE. (a) A taxable  
6 entity qualifies for a credit under this subchapter if the taxable  
7 entity:

8 (1) donates money to a school district in this state to  
9 create a new career and technical education program or course in the  
10 district or to expand an existing career and technical education  
11 program or course in the district; and

12 (2) the principal office of the taxable entity is not  
13 located in the district to which the entity makes the donation.

14 (b) A school district that receives a donation under  
15 Subsection (a) shall issue to the taxable entity a receipt listing  
16 the amount of the donation. If the donation is made over a period of  
17 more than one year, the district shall issue a receipt each year  
18 listing the amount of the donation made during that year.

19 Sec. 171.584. AMOUNT OF CREDIT; LIMITATION. (a) The amount  
20 of the credit that may be claimed on a report is equal to the lesser  
21 of \$5 million or an amount equal to:

22 (1) for a donation described by Section 171.583 that  
23 is made during the reporting period and that does not exceed  
24 \$100,000, 50 percent of the amount of the donation;

25 (2) for a donation described by Section 171.583 that  
26 is made during the reporting period and that exceeds \$100,000 but  
27 does not exceed \$300,000, \$50,000 plus 100 percent of the amount of

1 the donation that exceeds \$100,000; or

2 (3) for a donation described by Section 171.583 that  
3 is made during the reporting period and that exceeds \$300,000,  
4 \$250,000 plus 50 percent of the amount of the donation that exceeds  
5 \$300,000.

6 (b) Notwithstanding Subsection (a), the amount of the  
7 credit may not exceed the amount of franchise tax due for the  
8 report, after applying all other applicable credits.

9 Sec. 171.585. APPLICATION FOR CREDIT. (a) A taxable entity  
10 must apply for a credit under this subchapter on or with the report  
11 for the period for which the credit is claimed. The taxable entity  
12 must include the receipt for that period provided by the school  
13 district under Section 171.583(b).

14 (b) The burden of establishing eligibility for and the value  
15 of the credit is on the taxable entity.

16 Sec. 171.586. PERIOD FOR WHICH CREDIT MAY BE CLAIMED. A  
17 taxable entity may claim a credit under this subchapter for a report  
18 only in connection with donations made during the accounting period  
19 on which the report is based.

20 Sec. 171.587. RULES. The comptroller may adopt rules and  
21 forms necessary to implement this subchapter.

22 SECTION 3. (a) Section 31.038, Tax Code, as added by this  
23 Act, applies only to ad valorem taxes imposed for a tax year  
24 beginning on or after the effective date of this Act.

25 (b) Subchapter K-2, Chapter 171, Tax Code, as added by this  
26 Act, applies only to a report originally due on or after the  
27 effective date of this Act.

1           SECTION 4. This Act takes effect January 1, 2020, but only  
2 if the constitutional amendment proposed by the 86th Legislature,  
3 Regular Session, 2019, authorizing the legislature to provide for a  
4 credit against ad valorem taxes imposed by a school district on the  
5 property owned by a business entity that donates money to the  
6 district to create or support career and technical education  
7 programs or courses is approved by the voters. If that amendment  
8 is not approved by the voters, this Act has no effect.