

1-1 By: Paxton, et al. S.B. No. 2018
 1-2 (In the Senate - Filed March 6, 2025; March 17, 2025, read
 1-3 first time and referred to Committee on Finance; April 9, 2025,
 1-4 reported favorably by the following vote: Yeas 13, Nays 0;
 1-5 April 9, 2025, sent to printer.)

1-6 COMMITTEE VOTE

	Yea	Nay	Absent	PNV
1-7 Huffman	X			
1-8 Hinojosa of Hidalgo	X			
1-9 Alvarado	X			
1-10 Bettencourt	X			
1-11 Campbell	X			
1-12 Creighton	X			
1-13 Flores	X			
1-14 Hall	X			
1-15 Kolkhorst			X	
1-16 Nichols			X	
1-17 Paxton	X			
1-18 Perry	X			
1-19 Schwertner	X			
1-20 West	X			
1-21 Zaffirini	X			

1-23 A BILL TO BE ENTITLED
 1-24 AN ACT

1-25 relating to the strong families credit against certain taxes for
 1-26 entities that contribute to certain organizations.
 1-27 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF TEXAS:
 1-28 SECTION 1. Chapter 201, Alcoholic Beverage Code, is amended
 1-29 by adding Subchapter D to read as follows:
 1-30 SUBCHAPTER D. STRONG FAMILIES TAX CREDIT
 1-31 Sec. 201.101. DEFINITIONS. In this subchapter:
 1-32 (1) "Designated contribution," "eligible
 1-33 organization," and "strong families credit" have the meanings
 1-34 assigned by Section 171.801, Tax Code.
 1-35 (2) "Taxpayer" means a person who pays a tax under this
 1-36 chapter.
 1-37 Sec. 201.102. ELIGIBILITY. A taxpayer that makes a
 1-38 designated contribution that meets the requirements of Subchapter
 1-39 P, Chapter 171, Tax Code, is entitled to apply for a strong families
 1-40 credit in the amount and under the conditions provided by this
 1-41 subchapter against taxes paid under this chapter.
 1-42 Sec. 201.103. AMOUNT OF CREDIT; LIMITATIONS. (a) Subject
 1-43 to Subsections (b) and (c), the amount of a taxpayer's credit for a
 1-44 state fiscal year is equal to the lesser of:
 1-45 (1) the amount of designated contributions made to
 1-46 eligible organizations during the state fiscal year; or
 1-47 (2) the amount of taxes paid by the taxpayer under this
 1-48 chapter during the state fiscal year.
 1-49 (b) The maximum amount of strong families credits that may
 1-50 be awarded is the amount provided by Section 171.805(c), Tax Code.
 1-51 (c) The maximum amount of designated contributions a
 1-52 taxpayer may make to all eligible organizations in a state fiscal
 1-53 year is the amount provided by Section 171.805(b), Tax Code.
 1-54 (d) The comptroller shall allocate strong families credits
 1-55 as provided by Section 171.805(d), Tax Code.
 1-56 Sec. 201.104. APPLICATION. (a) A taxpayer must apply to
 1-57 claim a strong families credit against a tax imposed under this
 1-58 chapter.
 1-59 (b) A taxpayer must apply for the credit in the manner
 1-60 prescribed by the comptroller and include with the application any
 1-61 information requested by the comptroller to determine whether the

2-1 taxpayer is eligible for the credit under this subchapter.
 2-2 (c) The comptroller may award a credit to a taxpayer who
 2-3 applies for the credit under Subsection (a) if the taxpayer is
 2-4 eligible for the credit and the credit is available under Section
 2-5 171.805(c), Tax Code.
 2-6 (d) The comptroller shall notify a taxpayer in writing of
 2-7 the comptroller's decision to grant or deny the application under
 2-8 Subsection (a). If the comptroller denies a taxpayer's
 2-9 application, the comptroller shall include in the notice of denial
 2-10 the reasons for the comptroller's decision.
 2-11 Sec. 201.105. RULES. The comptroller may adopt rules and
 2-12 procedures necessary to implement, administer, and enforce this
 2-13 subchapter.
 2-14 Sec. 201.106. EXPIRATION. (a) This subchapter expires
 2-15 January 1, 2028.
 2-16 (b) The expiration of this subchapter does not affect
 2-17 credits for which a taxpayer is eligible after the date this
 2-18 subchapter expires based on designated contributions made before
 2-19 that date.
 2-20 SECTION 2. Subtitle B, Title 3, Insurance Code, is amended
 2-21 by adding Chapter 230 to read as follows:
 2-22 CHAPTER 230. STRONG FAMILIES TAX CREDIT
 2-23 Sec. 230.001. DEFINITIONS. In this chapter:
 2-24 (1) "Designated contribution," "eligible
 2-25 organization," and "strong families credit" have the meanings
 2-26 assigned by Section 171.801, Tax Code.
 2-27 (2) "State insurance tax liability" means any tax
 2-28 liability incurred by an entity under Chapters 221 through 226 or
 2-29 Chapter 281.
 2-30 Sec. 230.002. ELIGIBILITY. An entity that makes a
 2-31 designated contribution that meets the requirements of Subchapter
 2-32 P, Chapter 171, Tax Code, is entitled to apply for a strong families
 2-33 credit in the amount and under the conditions provided by this
 2-34 chapter against the entity's state insurance tax liability.
 2-35 Sec. 230.003. AMOUNT OF CREDIT; LIMITATION ON TOTAL
 2-36 CREDITS. (a) Subject to Subsections (b) and (c), the amount of an
 2-37 entity's credit for a report is equal to the lesser of:
 2-38 (1) the amount of designated contributions made to an
 2-39 eligible organization during the year covered by the report; or
 2-40 (2) the amount of the entity's state insurance tax
 2-41 liability for the year covered by the report after applying all
 2-42 other applicable credits.
 2-43 (b) The maximum amount of strong families credits that may
 2-44 be awarded is the amount provided by Section 171.805(c), Tax Code.
 2-45 (c) The maximum amount of designated contributions an
 2-46 entity may make to all eligible organizations in a state fiscal year
 2-47 is the amount provided by Section 171.805(b), Tax Code.
 2-48 (d) The comptroller shall allocate strong families credits
 2-49 as provided by Section 171.805(d), Tax Code.
 2-50 Sec. 230.004. APPLICATION FOR CREDIT. (a) An entity must
 2-51 apply to claim a strong families credit under this chapter on or
 2-52 with the report covering the year in which the designated
 2-53 contribution was made.
 2-54 (b) An entity must apply for the credit in the manner
 2-55 prescribed by the comptroller and include with the application any
 2-56 information requested by the comptroller to determine whether the
 2-57 entity is eligible for the credit under this chapter.
 2-58 (c) The comptroller may award a credit to an entity that
 2-59 applies for the credit under Subsection (a) if the entity is
 2-60 eligible for the credit and the credit is available under Section
 2-61 171.805(c), Tax Code.
 2-62 Sec. 230.005. ASSIGNMENT PROHIBITED; EXCEPTION. An entity
 2-63 may not convey, assign, or transfer a strong families credit to
 2-64 another entity unless substantially all of the assets of the entity
 2-65 are conveyed, assigned, or transferred in the same transaction.
 2-66 Sec. 230.006. RULES. The comptroller may adopt rules and
 2-67 procedures necessary to implement, administer, and enforce this
 2-68 chapter.
 2-69 Sec. 230.007. EXPIRATION. (a) This chapter expires

3-1 January 1, 2028.
3-2 (b) The expiration of this chapter does not affect credits
3-3 for which an entity is eligible after the date this chapter expires
3-4 based on designated contributions made before that date.
3-5 SECTION 3. Chapter 171, Tax Code, is amended by adding
3-6 Subchapter P to read as follows:
3-7 SUBCHAPTER P. STRONG FAMILIES TAX CREDIT
3-8 Sec. 171.801. DEFINITIONS. In this subchapter:
3-9 (1) "At-risk family" has the meaning assigned by
3-10 Section 137.002, Human Resources Code.
3-11 (2) "Commission" means the Health and Human Services
3-12 Commission.
3-13 (3) "Designated contribution" means a monetary
3-14 contribution to an eligible organization that the contributor
3-15 designates at the time of contribution as being made for the purpose
3-16 of the strong families credit.
3-17 (4) "Eligible organization" means an organization
3-18 that is certified by the commission as an eligible organization
3-19 under this subchapter.
3-20 (5) "Strong families credit" means the tax credit
3-21 established under this subchapter that may be claimed under:
3-22 (A) Subchapter D, Chapter 201, Alcoholic
3-23 Beverage Code;
3-24 (B) Chapter 230, Insurance Code;
3-25 (C) this subchapter; or
3-26 (D) Chapter 203.
3-27 Sec. 171.802. ELIGIBILITY FOR CREDIT. A taxable entity
3-28 that makes a designated contribution that meets the requirements of
3-29 this subchapter is eligible to apply for a strong families credit in
3-30 the amount and under the conditions provided by this subchapter
3-31 against the tax imposed under this chapter.
3-32 Sec. 171.803. QUALIFICATIONS FOR ELIGIBLE ORGANIZATION;
3-33 CERTIFICATION OF ELIGIBILITY. (a) An organization may apply to the
3-34 commission for certification as an eligible organization under this
3-35 subchapter if the organization:
3-36 (1) is exempt from federal income taxation under
3-37 Section 501(a), Internal Revenue Code of 1986, as an organization
3-38 described by Section 501(c)(3) of that code;
3-39 (2) is authorized to transact business in this state;
3-40 (3) has provided the following in this state for at
3-41 least three years preceding the organization's initial application
3-42 for certification as an eligible organization:
3-43 (A) comprehensive case management services for
3-44 at-risk families based on an assessment of family strengths and
3-45 needs, including assisting families in achieving self-sufficiency,
3-46 stability, and encouraging workforce participation; and
3-47 (B) services and resources to assist fathers in
3-48 learning and improving parenting skills and being more engaged in
3-49 their children's lives through in-school programs and online
3-50 resources;
3-51 (4) does not directly or indirectly provide abortion
3-52 services, or offer information related to abortion services; and
3-53 (5) has not received, either directly or indirectly
3-54 through a contractor, more than 50 percent of its total annual
3-55 revenue from this state or a political subdivision of this state in
3-56 the preceding state fiscal year.
3-57 (b) Services and resources described by Subsection (a)(3)
3-58 must be implemented with a continuous quality improvement process
3-59 and evaluated based on outcomes.
3-60 (c) An organization must reapply for certification as an
3-61 eligible organization each calendar year by submitting to the
3-62 commission a signed application form containing:
3-63 (1) a description of the qualifying services and
3-64 resources provided by the organization;
3-65 (2) the total number of individuals served through the
3-66 services and resources described by Subdivision (1) during the
3-67 previous calendar year and the number of those individuals served
3-68 and provided with resources that year using designated
3-69 contributions;

4-1 (3) outcomes for services and resources described by
4-2 Subdivision (1);
4-3 (4) the organization's financial information;
4-4 (5) the organization's contact information;
4-5 (6) a statement, signed under penalty of perjury by an
4-6 officer of the organization, that the organization meets all
4-7 criteria to qualify as an eligible organization, has fulfilled the
4-8 requirements for the previous calendar year, and intends to fulfill
4-9 the requirements for the next calendar year; and
4-10 (7) any other documentation requested by the
4-11 commission to verify eligibility or compliance with this section.
4-12 (d) The commission shall:
4-13 (1) issue a certificate of eligibility to an eligible
4-14 applicant stating that the organization meets the qualifications of
4-15 an eligible organization;
4-16 (2) revoke an organization's certificate of
4-17 eligibility if the organization violates this subchapter or fails
4-18 to maintain the eligibility requirements of this subchapter;
4-19 (3) publish information about the strong families
4-20 credit on the commission's Internet website, including:
4-21 (A) the requirements and process for an
4-22 organization to be certified as an eligible organization; and
4-23 (B) a list of organizations currently certified
4-24 as eligible organizations; and
4-25 (4) require the return of designated contributions
4-26 made to an organization that has had the organization's
4-27 certification as an eligible organization revoked or that otherwise
4-28 fails to comply with the requirements of this subchapter.
4-29 (e) An organization that is required to return
4-30 contributions under Subsection (d)(4) is ineligible for
4-31 certification as an eligible organization.
4-32 (f) An organization whose certification as an eligible
4-33 organization lapses or is revoked for a reason other than the reason
4-34 described by Subsection (d)(4) may reapply for certification as an
4-35 eligible organization.
4-36 Sec. 171.804. DUTIES OF ELIGIBLE ORGANIZATION. (a) An
4-37 eligible organization shall:
4-38 (1) conduct a local, state, and national criminal
4-39 background check for all individuals working directly with children
4-40 in a program funded by designated contributions that includes the
4-41 use of:
4-42 (A) a commercial multistate and
4-43 multijurisdiction criminal records locator or other similar
4-44 commercial nationwide database; and
4-45 (B) the national sex offender registry database
4-46 maintained by the United States Department of Justice or a
4-47 successor agency;
4-48 (2) spend all designated contributions, other than the
4-49 amount described by Subdivision (3), to provide services or
4-50 resources for residents of this state;
4-51 (3) spend no more than five percent of the total dollar
4-52 amount of designated contributions on administrative expenses; and
4-53 (4) annually submit to the comptroller:
4-54 (A) the report of an audit of the eligible
4-55 organization conducted by an independent certified public
4-56 accountant in accordance with generally accepted auditing
4-57 principles completed not later than the 180th day after the end of
4-58 the eligible organization's fiscal year; and
4-59 (B) a copy of the eligible organization's most
4-60 recent Form 990 filed with the Internal Revenue Service.
4-61 (b) On receipt of a designated contribution, an eligible
4-62 organization shall provide the entity making the contribution with
4-63 a certificate of contribution that includes:
4-64 (1) the entity's name;
4-65 (2) the eligible organization's name;
4-66 (3) the entity's federal employer identification
4-67 number, if applicable;
4-68 (4) the amount of the designated contribution; and
4-69 (5) the date the designated contribution was made.

5-1 Sec. 171.805. AMOUNT OF CREDIT; LIMITATION ON TOTAL
 5-2 CREDITS. (a) Subject to Subsections (b) and (c), the amount of a
 5-3 taxable entity's credit for a report is equal to the lesser of:

5-4 (1) the amount of designated contributions made to
 5-5 eligible organizations during the period covered by the report; or

5-6 (2) the amount of franchise tax due for the report
 5-7 after applying all other applicable credits.

5-8 (b) A taxable entity may not apply for a credit for a report
 5-9 in connection with more than \$1 million in designated
 5-10 contributions.

5-11 (c) The total amount of strong families credits awarded may
 5-12 not exceed \$10 million.

5-13 (d) The comptroller by rule shall prescribe procedures by
 5-14 which the comptroller will allocate strong families credits. The
 5-15 procedures must provide that any credits are allocated to entities
 5-16 that apply on a first-come, first-served basis.

5-17 Sec. 171.806. CARRYFORWARD. (a) If a taxable entity is
 5-18 eligible for a credit that exceeds the limitation under Section
 5-19 171.805(a), the entity may carry the unused credit forward for not
 5-20 more than five consecutive reports.

5-21 (b) A carryforward is considered the remaining portion of a
 5-22 credit that cannot be claimed on a report because of the limitation
 5-23 under Section 171.805(a).

5-24 Sec. 171.807. APPLICATION FOR CREDIT. (a) A taxable entity
 5-25 must apply to claim a strong families credit under this subchapter
 5-26 on or with the report covering the period in which the designated
 5-27 contribution was made.

5-28 (b) A taxable entity must apply for the credit in the manner
 5-29 prescribed by the comptroller and include with the application any
 5-30 information requested by the comptroller to determine whether the
 5-31 entity is eligible for the credit under this subchapter.

5-32 (c) The comptroller may award a credit to a taxable entity
 5-33 that applies for the credit under Subsection (a) if the taxable
 5-34 entity is eligible for the credit and the credit is available under
 5-35 Section 171.805(c).

5-36 (d) The comptroller shall notify a taxable entity in writing
 5-37 of the comptroller's decision to grant or deny the application
 5-38 under Subsection (a). If the comptroller denies a taxable entity's
 5-39 application, the comptroller shall include in the notice of denial
 5-40 the reasons for the comptroller's decision.

5-41 Sec. 171.808. ASSIGNMENT PROHIBITED; EXCEPTION. A taxable
 5-42 entity may not convey, assign, or transfer a strong families credit
 5-43 awarded under this subchapter to another taxable entity unless
 5-44 substantially all of the assets of the taxable entity are conveyed,
 5-45 assigned, or transferred in the same transaction.

5-46 Sec. 171.809. RULES. The commission and the comptroller
 5-47 may adopt rules and procedures necessary to implement, administer,
 5-48 and enforce this subchapter.

5-49 Sec. 171.810. EXPIRATION. (a) This subchapter expires
 5-50 January 1, 2028.

5-51 (b) The expiration of this subchapter does not affect the
 5-52 carryforward of a credit under Section 171.806 or those credits for
 5-53 which a taxable entity is eligible after the date this subchapter
 5-54 expires based on designated contributions made before that date.

5-55 SECTION 4. Subtitle I, Title 2, Tax Code, is amended by
 5-56 adding Chapter 203 to read as follows:

5-57 CHAPTER 203. STRONG FAMILIES TAX CREDIT

5-58 Sec. 203.001. DEFINITIONS. In this chapter, "designated
 5-59 contribution," "eligible organization," and "strong families
 5-60 credit" have the meanings assigned by Section 171.801.

5-61 Sec. 203.002. ELIGIBILITY. A producer that makes a
 5-62 designated contribution that meets the requirements of Subchapter
 5-63 P, Chapter 171, is entitled to apply for a strong families credit in
 5-64 the amount and under the conditions provided by this chapter
 5-65 against tax paid under Chapter 201 or 202.

5-66 Sec. 203.003. AMOUNT OF CREDIT; LIMITATIONS. (a) Subject
 5-67 to Subsections (b) and (c), the amount of a producer's credit for a
 5-68 state fiscal year is equal to the lesser of:

5-69 (1) the amount of designated contributions made to

6-1 eligible organizations during the state fiscal year; or
6-2 (2) the amount of taxes paid by the producer under
6-3 Chapter 201 or 202, as applicable, during the state fiscal year.

6-4 (b) The maximum amount of strong families credits that may
6-5 be awarded is the amount provided by Section 171.805(c).

6-6 (c) The maximum amount of designated contributions a
6-7 producer may make to all eligible organizations in a state fiscal
6-8 year is the amount provided by Section 171.805(b).

6-9 (d) The comptroller shall allocate strong families credits
6-10 as provided by Section 171.805(d).

6-11 Sec. 203.004. APPLICATION. (a) The person responsible for
6-12 paying the tax under Chapter 201 or 202 must apply to claim a strong
6-13 families credit against that tax.

6-14 (b) The person responsible for paying the tax must apply for
6-15 the credit in the manner prescribed by the comptroller and include
6-16 with the application any information requested by the comptroller
6-17 to determine whether the person is eligible for the credit under
6-18 this section.

6-19 (c) The comptroller may award a credit to a person who
6-20 applies for the credit under Subsection (a) if the person is
6-21 eligible for the credit and the credit is available under Section
6-22 171.805(c).

6-23 (d) The comptroller shall notify a person in writing of the
6-24 comptroller's decision to grant or deny the application under
6-25 Subsection (a). If the comptroller denies a person's application,
6-26 the comptroller shall include in the notice of denial the reasons
6-27 for the comptroller's decision.

6-28 Sec. 203.005. RULES. The comptroller may adopt rules and
6-29 procedures necessary to implement, administer, and enforce this
6-30 chapter.

6-31 Sec. 203.006. EXPIRATION. (a) This chapter expires
6-32 January 1, 2028.

6-33 (b) The expiration of this chapter does not affect credits
6-34 for which a person is eligible after the date this chapter expires
6-35 based on designated contributions made before that date.

6-36 SECTION 5. (a) An entity may apply for a credit under
6-37 Subchapter D, Chapter 201, Alcoholic Beverage Code, as added by
6-38 this Act, Chapter 230, Insurance Code, as added by this Act,
6-39 Subchapter P, Chapter 171, Tax Code, as added by this Act, or
6-40 Chapter 203, Tax Code, as added by this Act, only for a designated
6-41 contribution made on or after January 1, 2026.

6-42 (b) Subchapter D, Chapter 201, Alcoholic Beverage Code, as
6-43 added by this Act, Chapter 230, Insurance Code, as added by this
6-44 Act, Subchapter P, Chapter 171, Tax Code, as added by this Act, and
6-45 Chapter 203, Tax Code, as added by this Act, apply only to a report
6-46 originally due on or after January 1, 2026.

6-47 SECTION 6. This Act takes effect January 1, 2026.

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