

BILL ANALYSIS

C.S.H.B. 1003
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Ways & Means
Committee Report (Substituted)

BACKGROUND AND PURPOSE

Interested parties note that a number of the tax exemptions offered by the state were enacted several decades ago. There is concern that some of these tax exemptions may no longer provide the benefits for which they were created. The parties have recommended the periodic evaluation of the efficacy of certain tax exemptions as a matter of sound fiscal policy. C.S.H.B. 1003 seeks to implement that recommendation.

CRIMINAL JUSTICE IMPACT

It is the committee's opinion that this bill does not expressly create a criminal offense, increase the punishment for an existing criminal offense or category of offenses, or change the eligibility of a person for community supervision, parole, or mandatory supervision.

RULEMAKING AUTHORITY

It is the committee's opinion that this bill does not expressly grant any additional rulemaking authority to a state officer, department, agency, or institution.

ANALYSIS

C.S.H.B. 1003 amends the Government Code to require the comptroller of public accounts to periodically evaluate each exemption provided by the applicable Tax Code provision from property taxation; the state sales, excise, and use tax; taxes on the sale, rental, and use of motor vehicles; motor fuel taxes; the franchise tax; the gas production tax; and the oil production tax. The bill requires the comptroller to conduct the periodic evaluation according to a schedule adopted by the comptroller that provides for such evaluation at an interval not to exceed six years. The bill requires the comptroller to provide the evaluation schedule to the governor, lieutenant governor, speaker of the house of representatives, and presiding officers of the senate finance committee and the house ways and means committee. The bill requires the comptroller to adopt the schedule on or before January 1, 2016.

C.S.H.B. 1003 requires the comptroller's evaluation of each tax exemption to include an evaluation of the exemption's effect on specified factors, to take into account any other factors the comptroller considers relevant in evaluating the exemption, to consider whether retaining the exemption is in the public's best interest, and to make recommendations relating to the exemption based on the evaluation. The bill requires the comptroller to present a report on the evaluation and its recommendations to the legislature and the governor at each regular legislative session and requires the report to include drafts of any legislation needed to carry out the comptroller's recommendations. The bill makes the tax exemption evaluation inapplicable to a tax exemption that is explicitly provided by the Texas Constitution or that is for an item or service that the state is unable to tax under the United States Constitution or federal law.

EFFECTIVE DATE

On passage, or, if the bill does not receive the necessary vote, September 1, 2015.

COMPARISON OF ORIGINAL AND SUBSTITUTE

While C.S.H.B. 1003 may differ from the original in minor or nonsubstantive ways, the following comparison is organized and formatted in a manner that indicates the substantial differences between the introduced and committee substitute versions of the bill.

INTRODUCED

SECTION 1. Chapter 325, Government Code, is amended by adding Section 325.025 to read as follows:

Sec. 325.025. EVALUATION OF EXEMPTIONS FROM PROPERTY AND STATE TAXES. (a) In this section, "exemption" includes:

(1) an exemption that is provided by the manner in which a term is defined in Subchapter A, Chapter 151, Tax Code; and
(2) an exemption provided by Chapter 162, Tax Code, from the taxes imposed by that chapter.

(b) The commission shall periodically evaluate each exemption provided by Chapters 11, 151, 152, 162, 171, 201, and 202, Tax Code, from the taxes imposed by those chapters.

(c) The commission shall conduct the evaluation required by Subsection (b) according to a schedule that the commission adopts. The schedule must provide for the commission to evaluate each tax exemption at an interval not to exceed six years. The commission shall provide the schedule to the governor, lieutenant governor, speaker of the house of representatives, and presiding officers of the senate finance committee and the house ways and means committee.

(d) The commission's evaluation of each tax exemption must:

(1) include an evaluation of the exemption's effect on:

(A) revenue received from taxes imposed by the chapter providing the exemption;

(B) the entities that receive the exemption;

(C) sales of property, goods, and services made in this state, where applicable; and

(D) economic investment and growth in this state;

(2) take into account any other factors the commission considers relevant in evaluating the exemption;

(3) consider whether retaining the exemption is in the public's best interest; and

(4) make recommendations for retaining or

HOUSE COMMITTEE SUBSTITUTE

SECTION 1. Subchapter B, Chapter 403, Government Code, is amended by adding Section 403.0143 to read as follows:

Sec. 403.0143. EVALUATION OF AND REPORT ON EXEMPTIONS FROM PROPERTY AND STATE TAXES. (a) In this section, "exemption" includes:

(1) an exemption that is provided by the manner in which a term is defined in Subchapter A, Chapter 151, Tax Code; and
(2) an exemption provided by Chapter 162, Tax Code, from the taxes imposed by that chapter.

(b) The comptroller shall periodically evaluate each exemption provided by Chapters 11, 151, 152, 162, 171, 201, and 202, Tax Code, from the taxes imposed by those chapters.

(c) The comptroller shall conduct the evaluation required by Subsection (b) according to a schedule that the comptroller adopts. The schedule must provide for the comptroller to evaluate each tax exemption at an interval not to exceed six years. The comptroller shall provide the schedule to the governor, lieutenant governor, speaker of the house of representatives, and presiding officers of the senate finance committee and the house ways and means committee.

(d) The comptroller's evaluation of each tax exemption must:

(1) include an evaluation of the exemption's effect on:

(A) revenue received from taxes imposed by the chapter providing the exemption;

(B) the entities that receive the exemption;

(C) sales of property, goods, and services made in this state, where applicable; and

(D) economic investment and growth in this state;

(2) take into account any other factors the comptroller considers relevant in evaluating the exemption;

(3) consider whether retaining the exemption is in the public's best interest; and

(4) make recommendations relating to the

repealing the exemption, or for amending a provision related to the exemption.

(e) At each regular legislative session, the commission shall present to the legislature and the governor a report on the evaluation and recommendations it makes under Subsection (d). The report must include drafts of any legislation needed to carry out the commission's recommendations under that subsection.

(f) The evaluation described by this section does not apply to a tax exemption that is:

(1) explicitly provided by the constitution of this state; or

(2) for an item or service that this state is unable to tax under the United States Constitution or federal law.

SECTION 2. Subchapter C, Chapter 11, Tax Code, is amended by adding Section 11.49 to read as follows:

Sec. 11.49. SUNSET PROVISION FOR PROPERTY TAX EXEMPTIONS. (a) The exemptions provided by this chapter from the taxes imposed by this chapter are subject to periodic evaluation by the Sunset Advisory Commission under Section 325.025, Government Code, according to a schedule that the commission adopts under that section.

(b) A tax exemption provided by this chapter that is the subject of a Sunset Advisory Commission evaluation under Section 325.025, Government Code, and a section or part of a section that provides the exemption are repealed on December 31 of the year in which the commission presents its evaluation to the legislature unless the legislature retains the exemption.

(c) This section does not prohibit the legislature from repealing an exemption from the taxes imposed by this chapter at a date earlier than the date provided by this section.

(d) The evaluation described by Subsection (a) and the repeal described by Subsection (b) do not apply to a tax exemption that is explicitly provided by the constitution of this state.

SECTION 3. Chapter 101, Tax Code, is amended by adding Section 101.010 to read as follows:

Sec. 101.010. SUNSET PROVISION FOR CERTAIN EXEMPTIONS FROM STATE TAXES. (a) In this section, "exemption"

exemption based on the evaluation.

(e) At each regular legislative session, the comptroller shall present to the legislature and the governor a report on the evaluation and recommendations the comptroller makes under Subsection (d). The report must include drafts of any legislation needed to carry out the comptroller's recommendations under that subsection.

(f) The evaluation described by this section does not apply to a tax exemption that is:

(1) explicitly provided by the constitution of this state; or

(2) for an item or service that this state is unable to tax under the United States Constitution or federal law.

No equivalent provision.

No equivalent provision.

includes:

(1) an exemption that is provided by the manner in which a term is defined in Subchapter A, Chapter 151; and

(2) an exemption provided by Chapter 162 from the taxes imposed by that chapter.

(b) The exemptions provided by Chapters 151, 152, 162, 171, 201, and 202 from the taxes imposed by those chapters are subject to periodic evaluation by the Sunset Advisory Commission under Section 325.025, Government Code, according to a schedule that the commission adopts under that section.

(c) A tax exemption that is the subject of a Sunset Advisory Commission evaluation under Section 325.025, Government Code, and a section or part of a section that provides the exemption are repealed on December 31 of the year in which the commission presents its evaluation to the legislature unless the legislature retains the exemption.

(d) This section does not prohibit the legislature from repealing an exemption from the taxes imposed by Chapters 151, 152, 162, 171, 201, and 202 at a date earlier than the date provided by this section.

(e) The evaluation described by Subsection (b) and the repeal described by Subsection (c) do not apply to a tax exemption for an item or service that this state is unable to tax under the United States Constitution or federal law.

SECTION 4. The Sunset Advisory Commission shall adopt a schedule for evaluating exemptions from property taxes and state taxes as provided by Section 325.025, Government Code, as added by this Act, on or before January 1, 2016.

SECTION 5. This Act takes effect immediately if it receives a vote of two-thirds of all the members elected to each house, as provided by Section 39, Article III, Texas Constitution. If this Act does not receive the vote necessary for immediate effect, this Act takes effect September 1, 2015.

SECTION 2. The comptroller of public accounts shall adopt a schedule for evaluating exemptions from property taxes and state taxes as provided by Section 403.0143, Government Code, as added by this Act, on or before January 1, 2016.

SECTION 3. Same as introduced version.