

SUBJECT: Allowing certain nonprofits to retain sales tax for vocational training

COMMITTEE: Ways and Means — committee substitute recommended

VOTE: 9 ayes — D. Bonnen, Bohac, Button, Darby, Martinez Fischer, Murphy, Springer, C. Turner, Wray

0 nays

2 absent — Y. Davis, Parker

WITNESSES: For — Lori Henning, Texas Association of Goodwills; (*Registered, but did not testify*: Dennis Borel, Coalition of Texans with Disabilities; Traci Berry, Goodwill Central Texas; Cyrus Reed, Lone Star Chapter Sierra Club; Nelson Salinas, Texas Association of Business; Jennifer Allmon, the Texas Catholic Conference of Bishops)

Against — None

BACKGROUND: Tax Code, ch. 151 imposes a 6.25 percent tax on donated items sold by nonprofit retailers.

DIGEST: HB 2341 would allow non-profits that provided job training and placement services for people with barriers to employment to keep 50 percent of the sales tax on retail sales from their stores, provided that they used these funds to expand vocational services.

This bill would require the comptroller to certify as workforce training community centers retailers that applied and met certain requirements. To be certified, a retailer would have to:

- be a 501(c)(3) organization;
- collect sales taxes on the sale of donated goods;
- have significant experience with assisting people with barriers to employment;

- be affiliated with a national or statewide organization; and
- have annual sales of at least \$1 million.

This certification would last three years and could be renewed.

A certified organization could retain 50 percent of the sales tax imposed for the sale of donated goods. This would not include the sales taxes imposed by a political subdivision of the state. Any sales tax retained under this authority could be used only to:

- provide vocational services to people with barriers to employment;
- develop an individualized written training and employment plan for each person assisted; and
- monitor and support job retention.

In the first year of its certification, a qualifying organization would be able to use retained money to prepare to provide these services. After this first year, a qualifying organization would be required to provide vocational services to at least three people and successfully place an average of at least 2.25 people in jobs for every \$10,000 of sales tax retained. The organization would be required to demonstrate that these metrics were met at the end of every three-year certification period and could be required to do so by the comptroller at any time after the first year. The qualifying organization would have to demonstrate that it had not used any retained sales tax for purposes other than those provided above.

The certification could be revoked by the comptroller after a written notice and a hearing. If a certification were revoked, the comptroller could collect a portion of the tax retained by the retailer.

This bill would take effect September 1, 2015, and would apply only to tax liability accruing on or after that date.

NOTES:

The Legislative Budget Board estimates that the bill would have a negative net impact of \$23.1 million to general revenue through fiscal 2016-17.

