

## BILL ANALYSIS

Senate Research Center  
78R5419 DLF-F

S.B. 777  
By: Averitt  
Finance  
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As Filed

### DIGEST AND PURPOSE

The 77th Texas Legislature passed legislation providing for the creation of Certified Capital Companies (CAPCOs). CAPCOs are state-regulated, privately-owned and operated venture capital entities that invest funds in small and emerging businesses located in Texas. The legislature identified over \$400 million in contingency appropriations, including the CAPCO program, which were not executed due to lack of sufficient revenue. As proposed, S.B. 777 makes technical corrections and delays any fiscal impact to the state to 2006. Also, this bill adjusts the date that an insurance company may begin taking a tax credit for the 2005 tax year and adjusts dates to allow the implementation of the CAPCO program within four months from the time program rules have been promulgated.

### RULEMAKING AUTHORITY

Rulemaking authority previously granted to the comptroller of public accounts of the State of Texas is modified in SECTION 2 (Article 4.52, Insurance Code) and is granted SECTION 8, of this bill.

### SECTION BY SECTION ANALYSIS

SECTION 1. Amends Articles 4.51(2) and (13), Insurance Code, as follows:

(2) Redefines "allocation date."

(13) Extends the date the tax liability under Subchapter A of this chapter is eliminated or reduced to be included in the definition of "state premium tax liability" to January 1, 2003, rather than 2001.

SECTION 2. Amends Article 4.52, Insurance Code, as follows:

Art. 4.52. New heading: DUTIES OF COMPTROLLER; RULES; IMPLEMENTATION. Requires the comptroller of public accounts of the State of Texas (comptroller) to administer this subchapter and requires, rather than authorizes, the comptroller to adopt rules and forms as necessary to implement this subchapter. Requires the rules to provide certain conditions.

SECTION 3. Amends Article 4.65(a), Insurance Code, authorize a certified investor to take up to 10 percent of the vested premium tax credit in any taxable year of the certified investor, beginning with the tax report due March 1, 2006, for the 2005 tax year.

SECTION 4. Amends Article 4.66(a), Insurance Code, to require the certified capital company to file the claim with the comptroller on the date on which the comptroller accepts premium tax credit allocation claims on behalf of certified investors under rules adopted under Article 4.52(2) of this code. Deletes existing text relating to the certified capital company filing the claim with the comptroller not later than February 15, 2002.

SECTION 5. Amends Article 4.68(c), Insurance Code, to change the date by which the comptroller is required to notify each certified capital company of the amount of tax credits allocated to each certified investor, from not later than March 1, 2002, to not later than the

fifteenth day after the date on which the comptroller accepts premium tax credit allocation claims on behalf of certified invertors under rules adopted under Article 4.52(2) of this code.

SECTION 6. Amends Article 4.73(a), Insurance Code, to require the report to include the amount of certified capital the certified capital company has invested in qualified businesses as of January 1, 2006, rather than 2004, and the cumulative total for each subsequent year.

SECTION 7. Repealer: Article 4.74, Insurance Code (Implementation Subject to Available Revenue).

SECTION 8. Requires the comptroller to adopt rules and forms as necessary to implement Chapter 4B, Insurance Code, as amended by this Act, not later than the 90th day after the effective date of this Act.

SECTION 9. Effective date: upon passage or September 1, 2003.