

BILL ANALYSIS

C.S.H.B. 590
By: Elkins
Government Transparency & Operation
Committee Report (Substituted)

BACKGROUND AND PURPOSE

Interested parties assert that the development and commercialization of technology by institutions of higher education are critical components of the educational and research missions of those institutions, including those that are members of certain medical centers, and key contributors to the economic development and well-being of the state. The parties point out a gap in funding between the development of technology and actual commercialization of the technology and believe that Texas has fallen in rank with respect to funding for start-ups, resulting in the relocation of many start-ups to other states. The parties assert that the state could cultivate more start-ups by providing certain incentives. C.S.H.B. 590 seeks to create university research technology corporations to provide incentives for the development and commercialization of technologies developed by institutions of higher education and certain medical centers.

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 rulemaking authority is expressly granted to the comptroller of public accounts in SECTIONS 1 and 5 of this bill.

ANALYSIS

C.S.H.B. 590 amends the Education Code to authorize any person having the capacity to be an organizer of a corporation, as provided by the Business Organizations Code, to create a special-purpose university research technology corporation for the exclusive purpose of developing and commercializing one or more technologies owned wholly or partly by a public, private, or independent institution of higher education or by a qualified medical center. The bill requires the organizer of a university research technology corporation, in order to create the corporation, to present to the secretary of state written evidence that the organizer has a license to develop and commercialize a specific technology owned wholly or partly by an institution of higher education or qualified medical center, as applicable. The bill authorizes the license to be conditioned on the creation of the corporation. The bill defines "qualified medical center," with respect to an institution of higher education, as a medical center development corporation that includes among its member institutions, as described in the corporation's books and records, one or more institutions of higher education, regardless of whether those institutions of higher education have membership status in the qualified medical center for purposes of the Business Organizations Code. The bill clarifies that a qualified medical center that owns wholly or partly the technology for which a corporation is created is governed by the same provisions of the bill that are applicable to an institution of higher education.

C.S.H.B. 590 establishes that a university research technology corporation that engages in other purposes that are not incidental to the authorized purposes is not entitled to the benefits provided by the bill's provisions, including any authorized tax exemptions. The bill requires the certificate of formation of a university research technology corporation to state that the corporation is governed by the bill's provisions, to state the name and purposes of the corporation, and to state other information as required by law and requires the organizers of the corporation to register the corporation with the comptroller of public accounts. The bill provides for the corporation's governance under specified provisions of the Business Organizations Code.

C.S.H.B. 590 requires the organizers of a university research technology corporation to name the persons constituting the initial board of directors of the corporation and requires directors other than the initial directors to be determined according to statutory provisions governing for-profit corporations. The bill requires an institution of higher education that owns wholly or partly the technology for which a corporation is created to be a shareholder in the corporation at all times and to be issued shares in the corporation when the corporation is created as agreed on by the organizers of the corporation according to any contribution of the institution. The bill authorizes the institution to be issued shares in the corporation in exchange for the contribution of rights in the technology of the institution or of other contractual obligations, as agreed on by the corporation's board of directors. The bill authorizes the institution to license any technology owned by the institution to the corporation. The bill requires the principal offices of a university research technology corporation to be located in Texas and requires more than 50 percent of any goods produced or services performed by the corporation to be produced or performed in Texas.

C.S.H.B. 590 limits the duration of a university research technology corporation to 15 years and authorizes such a corporation, at the expiration of that period, to file a restated and amended certificate of formation under which the corporation continues in existence as a for-profit corporation. The bill specifies that a corporation that files a restated and amended certificate of formation is not governed by the bill's provisions except that the corporation must comply with applicable provisions to obtain a tax exemption under the bill's provisions and is subject to the penalty established by the bill for noncompliance with corporate operations requirements. The bill establishes that the 15-year limit on the duration of such a corporation does not limit the time or manner in which the corporation may be terminated as otherwise provided by law.

C.S.H.B. 590 entitles a university research technology corporation, including a corporation that files a restated and amended certificate of formation, to certain exemptions from property taxation, the sales and use tax, and the franchise tax, as provided by the bill's amendments to the Tax Code, if the corporation is engaged exclusively in developing and commercializing one or more technologies owned wholly or partly by an institution of higher education or by a qualified medical center and the corporation complies with the requirements for operation in Texas. The bill specifies that the tax-exempt status of a university research technology corporation does not limit the corporation's eligibility for any other available tax benefit. The bill requires a university research technology corporation to maintain a complete record of all taxes for which the corporation would have been liable if the corporation had not been entitled to the tax exemptions authorized by the bill's provisions and to report that information annually to the comptroller in the form and manner required by the comptroller. The bill requires the comptroller to adopt rules necessary for the implementation of these provisions relating to the tax-exempt status of a university research technology corporation and for the administration of the sales and use tax exemption and franchise tax exemption.

C.S.H.B. 590 makes a university research technology corporation that ceases to comply with the bill's requirements to hold principal offices in Texas and produce and perform more than 50 percent of the corporation's goods and services, respectively, in Texas liable to the state for a penalty in an amount equal to any taxes for which the corporation received a tax exemption under the bill's provisions for the four calendar years preceding the year in which the noncompliance began. The bill requires the comptroller to determine the corporation's liability for the penalty and to assess the amount owed. The bill makes the penalty due on the date

designated by the comptroller, not later than the 90th day after the date assessed, and requires the penalty to be collected in the same manner as a state tax. The bill establishes that a lien exists on any property of the corporation to secure the payment of any amount assessed for a penalty and entitles the comptroller to collect interest and penalties on the unpaid amount of a delinquent penalty in the same manner as a delinquent state tax. The bill requires the comptroller by rule to establish the methods of payment and to adopt other rules necessary to administer and enforce the penalty. The bill requires the amounts received in connection with the penalty to be deposited in the state treasury to the credit of the general revenue fund. The bill's provisions amending the Education Code control to the extent of any conflict between those provisions and a provision of the Business Organizations Code.

C.S.H.B. 590 amends the Tax Code to entitle an eligible university research technology corporation to an exemption from property taxation of the real and tangible personal property owned by the corporation that is used in developing and commercializing one or more technologies owned wholly or partly by an institution of higher education or by a qualified medical center and the real property owned by the corporation that consists of an incomplete improvement that is under active construction or other physical preparation to make the property suitable for such use and the land on which the incomplete improvement is located that will be reasonably necessary for the corporation's use of the improvement.

C.S.H.B. 590 establishes that a university research technology corporation is not entitled to an exemption from taxation of real or tangible personal property that is owned by an organizer or director of the corporation before the creation of the corporation and that is subject to taxation in Texas before being devoted exclusively to developing and commercializing one or more technologies owned wholly or partly by an institution of higher education or by a qualified medical center. The bill entitles a qualified university research technology corporation to an exemption from taxation of the value of that portion of an improvement that consists of an expansion of an improvement not eligible for an exemption if the improvement is devoted exclusively to the applicable development and commercialization purpose. The bill entitles a medical center development corporation to an exemption from taxation of the corporation's real and tangible personal property that is leased to or used or occupied primarily by a qualified university research technology corporation and used exclusively for the applicable development and commercialization purposes and entitles a qualified university research technology corporation to an exemption from taxation of a possessory interest in such property.

C.S.H.B. 590 exempts a taxable item sold, leased, or rented to, or stored, used, or consumed by, an eligible university research technology corporation from the sales and use tax if the item is classified by the corporation as a capital asset. The bill establishes that an item is considered to be classified by the corporation as a capital asset if the item is considered to be a capital asset according to generally accepted accounting principles adopted by the Financial Accounting Standards Board and is recognized by the corporation as a capital asset on the corporation's federal income tax returns. The bill requires the comptroller to adopt rules necessary to implement this exemption.

C.S.H.B. 590 exempts an eligible university technology research corporation from the franchise tax.

EFFECTIVE DATE

January 1, 2016, except that the bill's provisions relating to the exemption from property taxation for a university research technology corporation take effect January 1, 2016, only if the constitutional amendment authorizing the legislature to provide for an exemption from property taxation of certain property owned by or leased to or by a university research technology corporation is approved by the voters.

COMPARISON OF ORIGINAL AND SUBSTITUTE

While C.S.H.B. 590 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. Subtitle H, Title 3, Education Code, is amended by adding Chapter 157 to read as follows:

CHAPTER 157. UNIVERSITY RESEARCH TECHNOLOGY CORPORATIONS

Sec. 157.001. PURPOSE AND FINDINGS. The legislature finds that the development and commercialization of technology by public and private institutions of higher education are critical components of the educational and research missions of those institutions and key contributors to the economic development and well-being of this state. The activities authorized by this chapter directly support those important public purposes.

Sec. 157.002. DEFINITIONS. In this chapter:

(1) "Contribution" has the meaning assigned by Section 1.002, Business Organizations Code.

(2) "Creating institution" means an institution of higher education or private or independent institution of higher education that creates a corporation under this chapter.

(3) "Institution of higher education" and "private or independent institution of higher education" have the meanings assigned by Section 61.003.

HOUSE COMMITTEE SUBSTITUTE

SECTION 1. Subtitle H, Title 3, Education Code, is amended by adding Chapter 157 to read as follows:

CHAPTER 157. UNIVERSITY RESEARCH TECHNOLOGY CORPORATIONS

Sec. 157.001. PURPOSE AND FINDINGS. The legislature finds that the development and commercialization of technology owned by public and private institutions of higher education and by medical centers associated with those institutions are critical components of the educational and research missions of those institutions and key contributors to the economic development and well-being of this state. The activities authorized by this chapter directly support those important public purposes.

Sec. 157.002. DEFINITIONS. In this chapter:

(1) "Contribution" has the meaning assigned by Section 1.002, Business Organizations Code.

(2) "Institution of higher education" means an institution of higher education or a private or independent institution of higher education as those terms are defined by Section 61.003.

(3) "Medical center development corporation" means a nonprofit corporation that is eligible to claim an ad valorem tax exemption under Section 11.23(j-1), Tax Code, for all or any part of the corporation's properties.

(4) "Qualified medical center," with respect to an institution of higher education, means a medical center development corporation that includes among its member institutions, as described in the corporation's books and records, one or more institutions of higher education, regardless of whether those institutions of higher education have

(4) "Technology" means the application of scientific knowledge for practical purposes and includes inventions, discoveries, trade secrets, copyrighted materials, tools, machines, materials, processes to do work, processes to produce goods, processes to perform services, processes to carry out other useful activities, trademarks, and computer software.

Sec. 157.003. CREATION OF CORPORATION.

(a) An institution of higher education or private or independent institution of higher education may create a special-purpose corporation for the exclusive purpose of developing and commercializing one or more technologies owned wholly or partly by the institution.

A corporation created under this chapter that engages in other purposes that are not incidental to that authorized purpose is not entitled to the benefits of this chapter, including any tax exemption authorized by Section 157.008.

(b) The certificate of formation of a

membership status in the qualified medical center for purposes of the Business Organizations Code.

(5) "Technology" means the application of scientific knowledge for practical purposes and includes inventions, discoveries, patents, trade secrets, copyrighted materials, tools, machines, materials, processes to do work, processes to produce goods, processes to perform services, processes to carry out other useful activities, trademarks, and computer software.

Sec. 157.003. CREATION OF SPECIAL-PURPOSE CORPORATION.

(a) Any person having the capacity to be an organizer of a corporation as provided by Section 3.004, Business Organizations Code, may create a special-purpose corporation for the exclusive purpose of developing and commercializing one or more technologies owned wholly or partly by an institution of higher education. To create the special-purpose corporation, an organizer of the corporation must present to the secretary of state written evidence that the organizer has a license to develop and commercialize a specific technology owned wholly or partly by an institution of higher education. The license may be conditioned on the creation of the special-purpose corporation.

(b) A person described by Subsection (a) may create a special-purpose corporation for the exclusive purpose of developing and commercializing technology owned wholly or partly by a qualified medical center.

(c) A special-purpose corporation created under Subsection (b) may be created in the same form and manner as a special-purpose corporation created under Subsection (a). To that extent, a qualified medical center that owns wholly or partly the technology for which a special-purpose corporation is created under Subsection (b) is governed by the same provisions of this chapter that are applicable to an institution of higher education.

(d) A corporation created under this chapter that engages in other purposes that are not incidental to the purposes authorized by this section is not entitled to the benefits of this chapter, including any tax exemption authorized by Section 157.008.

(e) The certificate of formation of a

corporation created under this chapter must state that the corporation is governed by this chapter and state the name and purposes of the corporation and other information required by law. Except as otherwise provided by this chapter, a corporation created under this chapter is governed by Chapters 20 and 21, Business Organizations Code, and Title 1 of that code.

Sec. 157.004. MANAGEMENT OF CORPORATION; RIGHTS OF CREATING INSTITUTION. (a) The creating institution shall name the persons constituting the initial board of directors of the corporation. Directors other than the initial directors shall be determined as provided by Chapter 21, Business Organizations Code.

(b) The creating institution must at all times be a shareholder in the corporation.

The creating institution shall be issued shares in the corporation when the corporation is created as agreed on by the organizers of the corporation according to any contribution of the institution.

(c) The creating institution may be issued shares in the corporation in exchange for the contribution of rights in the technology of the institution or of other contractual obligations, as agreed on by the board of directors.

Sec. 157.005. TECHNOLOGY LICENSING. The creating institution may license to the corporation any technology owned by the institution.

Sec. 157.006. REQUIRED OPERATIONS IN TEXAS. The principal offices of the corporation must be located in this state, and the majority of any goods produced or services performed by the corporation must be produced or performed in this state.

corporation created under this chapter must state that the corporation is governed by this chapter and state the name and purposes of the corporation and other information required by law. Except as otherwise provided by this chapter, a corporation created under this chapter is governed by Chapters 20 and 21, Business Organizations Code, and Title 1 of that code.

(f) The organizers of a corporation created under this chapter shall register the corporation with the comptroller.

Sec. 157.004. MANAGEMENT OF CORPORATION; RIGHTS OF CREATING INSTITUTION. (a) The organizers of a corporation created under this chapter shall name the persons constituting the initial board of directors of the corporation. Directors other than the initial directors shall be determined as provided by Chapter 21, Business Organizations Code.

(b) An institution of higher education that owns wholly or partly the technology for which a corporation is created under this chapter must at all times be a shareholder in the corporation. The institution of higher education shall be issued shares in the corporation when the corporation is created as agreed on by the organizers of the corporation according to any contribution of the institution.

(c) The institution of higher education described by Subsection (b) may be issued shares in the corporation in exchange for the contribution of rights in the technology of the institution of higher education or of other contractual obligations, as agreed on by the corporation's board of directors.

Sec. 157.005. TECHNOLOGY LICENSING. The institution of higher education that owns wholly or partly the technology for which a corporation is created under this chapter may license to the corporation any technology owned by the institution of higher education.

Sec. 157.006. REQUIRED OPERATIONS IN TEXAS. The principal offices of the corporation must be located in this state, and more than 50 percent of any goods produced or services performed by the corporation must be produced or performed in this state.

Sec. 157.007. DURATION

Sec. 157.008. TAX EXEMPT STATUS OF CORPORATION. (a) This section applies only to a corporation created under this chapter, including a corporation that files a restated and amended certificate of formation as authorized by Section 157.007, that:

(1) is engaged exclusively in developing and commercializing one or more technologies owned wholly or partly by the creating institution, including activities that are incidental to developing and commercializing those technologies; and

(2) complies with Section 157.006.

(b) The corporation is entitled to an exemption from ad valorem taxation of:

(1) the real and tangible personal property owned by the corporation that is used for a purpose described by Subsection (a)(1); and

(2) the real property owned by the corporation that consists of:

(A) an incomplete improvement that is under active construction or other physical preparation to make the property suitable to be used for a purpose described by Subsection (a)(1); and

(B) the land on which the incomplete improvement is located that will be reasonably necessary for the corporation's use of the improvement.

(c) The corporation is exempted from the franchise tax imposed by Chapter 171, Tax Code.

(d) The sale, storage, use, or other consumption of a taxable item directly used or consumed by the corporation is exempted from the sales and use taxes imposed by Chapter 151, Tax Code.

(See Section 157.008(b), Education Code, above.)

(See Section 157.008(d), Education Code, above.)

Sec. 157.007. DURATION.

Sec. 157.008. TAX-EXEMPT STATUS OF CORPORATION. (a) This section applies only to a corporation created under this chapter, including a corporation that files a restated and amended certificate of formation as authorized by Section 157.007, that:

(1) is engaged exclusively in developing and commercializing one or more technologies owned wholly or partly by an institution of higher education or by a qualified medical center, including activities that are incidental to developing and commercializing those technologies; and

(2) complies with Section 157.006.

(See Section 11.232(b), Tax Code, in SECTION 2 below.)

(See Section 157.008(d), Education Code, below)

(See Section 157.008(c), Education Code, below and see also added Section 151.3183, Tax Code, in SECTION 5 below.)

(b) The corporation is entitled to an exemption from ad valorem taxation of real and tangible personal property as provided by Section 11.232, Tax Code.

(c) The corporation is exempted from the sales and use tax imposed by Chapter 151, Tax Code, as provided by Section 151.3183 of that code.

(See Section 157.008(c), Education Code, above.)

(e) This section does not limit the eligibility of the corporation for any other available tax benefit, including a tax benefit under Chapter 312 or 313, Tax Code.

(f) If the corporation acquires property after January 1 of a tax year, the corporation may receive an exemption authorized by Subsection (b) for the applicable portion of that tax year immediately on qualification for the exemption. Sections 11.43(d) and 26.113, Tax Code, apply to an exemption authorized by Subsection (b) of this section in the same manner as those provisions apply to an exemption covered by Section 11.42(d).

(g) The corporation must maintain a complete record of all taxes that the corporation would have been liable for if the corporation had not been entitled to the exemptions authorized by this section. The corporation shall submit the records to the comptroller without delay on request of the comptroller when determining the corporation's liability for any penalty assessed under Section 157.009.

Sec. 157.009. PENALTY FOR NONCOMPLIANCE WITH CORPORATE OPERATIONS REQUIREMENTS. (a) A corporation created under this chapter, including a corporation that files a restated and amended certificate of formation as authorized by Section 157.007, that ceases to comply with Section 157.006 is liable to the state for a penalty in an amount equal to any taxes, including ad valorem taxes, for which the corporation received an exemption under Section 157.008 for the five calendar years preceding the year in which the noncompliance began. The comptroller shall determine the corporation's liability for the penalty and assess the amount owed.

(d) The corporation is exempted from the franchise tax imposed by Chapter 171, Tax Code, as provided by Section 171.089 of that code.

(e) This section does not limit the eligibility of the corporation for any other available tax benefit, including a tax benefit under Chapter 312 or 313, Tax Code.

(f) The corporation must maintain a complete record of all taxes for which the corporation would have been liable if the corporation had not been entitled to the exemptions authorized by this section. The corporation shall report that information annually to the comptroller in the form and manner required by the comptroller.

(g) The comptroller shall adopt rules necessary to implement this section and administer the exemptions under Subsections (c) and (d).

Sec. 157.009. PENALTY FOR NONCOMPLIANCE WITH CORPORATE OPERATIONS REQUIREMENTS. (a) A corporation created under this chapter, including a corporation that files a restated and amended certificate of formation as authorized by Section 157.007, that ceases to comply with Section 157.006 is liable to the state for a penalty in an amount equal to any taxes, including ad valorem taxes, for which the corporation received an exemption under Section 157.008 for the four calendar years preceding the year in which the noncompliance began. The comptroller shall determine the corporation's liability for the penalty and assess the amount owed.

(b) A penalty assessed under this section is due on the date designated by the comptroller, not later than the 90th day after the date assessed, and shall be collected in the same manner as a state tax. A lien exists on any property of the corporation to secure the payment of any amount assessed under this section.

The comptroller by rule shall establish the methods of payment and shall adopt other rules necessary to administer and enforce this section.

(c) Amounts received under this section shall be deposited in the state treasury to the credit of the general revenue fund.

Sec. 157.010. CONFLICT WITH BUSINESS ORGANIZATIONS CODE.

No equivalent provision, but see Section 157.008(b), Education Code, in SECTION 1 above.

(b) A penalty assessed under this section is due on the date designated by the comptroller, not later than the 90th day after the date assessed, and shall be collected in the same manner as a state tax. A lien exists on any property of the corporation to secure the payment of any amount assessed under this section. The comptroller is entitled to collect interest and penalties on the unpaid amount of a delinquent penalty in the same manner as the manner prescribed for the collection of a delinquent state tax. The comptroller by rule shall establish the methods of payment and shall adopt other rules necessary to administer and enforce this section.

(c) Amounts received under this section shall be deposited in the state treasury to the credit of the general revenue fund.

Sec. 157.010. CONFLICT WITH BUSINESS ORGANIZATIONS CODE.

SECTION 2. Subchapter B, Chapter 11, Tax Code, is amended by adding Section 11.232 to read as follows:

Sec. 11.232. PROPERTY OWNED BY OR LEASED TO UNIVERSITY RESEARCH TECHNOLOGY CORPORATION. (a) In this section, "institution of higher education," "medical center development corporation," "qualified medical center," and "technology" have the meanings assigned by Section 157.002, Education Code.

(b) Except as provided by Subsection (c), a corporation that qualifies as a university research technology corporation as provided by Subsection (g) is entitled to an exemption from ad valorem taxation of:

(1) the real and tangible personal property owned by the corporation that is used for a purpose described by Subsection (g)(2); and
(2) the real property owned by the corporation that consists of:

(A) an incomplete improvement that is under active construction or other physical preparation to make the property suitable to be used for a purpose described by Subsection (g)(2); and

(B) the land on which the incomplete improvement is located that will be reasonably necessary for the corporation's use of the improvement.

(c) A qualified university research

technology corporation is not entitled to an exemption from taxation of real or tangible personal property:

(1) owned by an organizer or director of the corporation before the creation of the corporation; and

(2) subject to taxation in this state before being devoted exclusively to a purpose described by Subsection (g)(2).

(d) Notwithstanding Subsection (c), a qualified university research technology corporation is entitled to an exemption from taxation of the value of that portion of an improvement that consists of an expansion of an improvement described by that subsection if the improvement is devoted exclusively to a purpose described by Subsection (g)(2).

(e) A medical center development corporation is entitled to an exemption from taxation of the corporation's real and tangible personal property that is leased to or used or occupied primarily by a qualified university research technology corporation and used exclusively for a purpose described by Subsection (g)(2).

(f) Notwithstanding Section 25.07, a qualified university research technology corporation is entitled to an exemption from taxation of a possessory interest in property described by Subsection (e).

(g) To qualify as a university research technology corporation for purposes of this section, a corporation must:

(1) be a corporation created under Chapter 157, Education Code, including a corporation created under that chapter that files a restated and amended certificate of formation as authorized by Section 157.007 of that code;

(2) be engaged exclusively in developing and commercializing one or more technologies owned wholly or partly by an institution of higher education or by a qualified medical center, including activities that are incidental to developing and commercializing those technologies; and

(3) be in compliance with Section 157.006, Education Code.

No equivalent provision.

SECTION 3. Section 11.42(d), Tax Code, is amended to read as follows:

(d) A person who acquires property after January 1 of a tax year may receive an

exemption authorized by Section 11.17, 11.18, 11.19, 11.20, 11.21, 11.23, 11.231, 11.232, or 11.30 for the applicable portion of that tax year immediately on qualification for the exemption.

No equivalent provision.

SECTION 4. The heading to Section 26.113, Tax Code, is amended to read as follows:

Sec. 26.113. PRORATING TAXES-- ACQUISITION BY NONPROFIT ORGANIZATION OR UNIVERSITY RESEARCH TECHNOLOGY CORPORATION.

No equivalent provision, but see Section 157.008(d), Education Code, in SECTION 1 above.

SECTION 5. Subchapter H, Chapter 151, Tax Code, is amended by adding Section 151.3183 to read as follows:

Sec. 151.3183. UNIVERSITY RESEARCH TECHNOLOGY CORPORATION. (a) In this section, "university research technology corporation" means a corporation described by Section 157.008(a), Education Code.

(b) A taxable item sold, leased, or rented to, or stored, used, or consumed by, a university research technology corporation is exempted from the taxes imposed by this chapter if the item is classified by the corporation as a capital asset. An item is considered to be classified by the corporation as a capital asset if the item is considered to be a capital asset according to generally accepted accounting principles adopted by the Financial Accounting Standards Board and is recognized by the corporation as a capital asset on the corporation's federal income tax returns.

(c) The comptroller shall adopt rules necessary to implement this section, including rules to ensure that a taxable item with respect to which an exemption from the taxes imposed by this chapter is granted under this section meets the requirements of Subsection (b).

No equivalent provision but see Section 157.008(c), Education Code, in SECTION 1 above.

SECTION 6. Subchapter B, Chapter 171, Tax Code, is amended by adding Section 171.089 to read as follows:

Sec. 171.089. EXEMPTION-- UNIVERSITY RESEARCH TECHNOLOGY CORPORATION. (a) In this section, "university research technology

corporation" means a corporation described by Section 157.008(a), Education Code.

(b) A university technology research corporation is exempted from the franchise tax.

No equivalent provision.

SECTION 7. Section 11.232, Tax Code, as added by this Act, applies only to an ad valorem tax year that begins on or after the effective date of this Act.

No equivalent provision.

SECTION 8. Section 151.3183, Tax Code, as added by this Act, does not affect tax liability accruing before the effective date of this Act. That liability continues in effect as if this Act had not been enacted, and the former law is continued in effect for the collection of taxes due and for civil and criminal enforcement of the liability for those taxes.

No equivalent provision.

SECTION 9. The change in law made by this Act to Chapter 171, Tax Code, applies only to a report originally due on or after the effective date of this Act.

SECTION 2. (a) Except as provided by Subsection (b) of this section, this Act takes effect January 1, 2016.

(b) Sections 157.008(b) and (f), Education Code, as added by this Act, take effect January 1, 2016, but only if the constitutional amendment proposed by the 84th Legislature, Regular Session, 2015, authorizing the legislature to provide for an exemption from ad valorem taxation of certain property owned by research technology corporations created by public or private institutions of higher education to develop and commercialize technologies owned by the institutions is approved by the voters. If that amendment is not approved by the voters, Sections 157.008(b) and (f), Education Code, as added by this Act, have no effect.

SECTION 10. (a) Except as provided by Subsection (b) of this section, this Act takes effect January 1, 2016.

(b) Section 157.008(b), Education Code, and Section 11.232, Tax Code, as added by this Act, and Sections 11.42(d) and 26.113, Tax Code, as amended by this Act, take effect January 1, 2016, but only if the constitutional amendment proposed by the 84th Legislature, Regular Session, 2015, authorizing the legislature to provide for an exemption from ad valorem taxation of certain property owned by or leased to or by a university research technology corporation is approved by the voters. If that amendment is not approved by the voters, Section 157.008(b), Education Code, and Section 11.232, Tax Code, as added by this Act, and Sections 11.42(d) and 26.113, Tax Code, as amended by this Act, have no effect.