

SUBJECT: Franchise tax credit for employment of persons with disabilities

COMMITTEE: Ways and Means — favorable, without amendment

VOTE: 9 ayes — Oliveira, McCall, Bonnen, Craddick, Y. Davis, Heflin, Keffer, T. King, Ramsay

0 nays

2 absent — Hilbert, Sadler

SENATE VOTE: On final passage, March 25 — voice vote

WITNESSES: For — Bob Geyer, Disability Policy Consortium; Judith Sokolow, Advocacy, Inc.

Against — None

BACKGROUND: The franchise tax has been Texas' primary business tax since its adoption in 1907. Corporations pay the tax in exchange for state-granted privileges, including access to the state's legal system, the right to accumulate property separately from any individual, and a limitation of personal liability for officers of the corporation. About 380,000 firms are subject to the tax, of which about 165,000 reported a tax liability in 1997. The other 215,000 firms owed no tax. Franchise tax collections total about \$2 billion annually.

DIGEST: SB 783 would create a credit against franchise taxes owed by corporations that employed disabled people who were eligible for federal social security income benefits or who received social security disability insurance benefits. The disabled employees would have to:

- ! have been hired on or after January 1, 2000;
- ! remain employed continuously with the corporation for at least six months;
- ! work an average of at least 20 hours a week; and
- ! receive at least the minimum wage and the same benefits as the employer's other workers.

The tax credit would equal 10 percent of the wages paid to each qualified employee, but could not exceed 50 percent of the amount of net franchise tax due. A corporation could claim the credit only for the employee's first two years of employment and would have to apply for the credit on or with the tax report for the period in which the credit is claimed.

The comptroller would have to adopt rules and promulgate a form for the application of the credit.

The bill would take effect January 1, 2000, and would apply only to wages paid and reports due on or after that date.

**SUPPORTERS
SAY:**

SB 783 would encourage businesses to hire disabled workers, who experience extremely high rates of unemployment despite federal prohibitions against discrimination. A state tax credit, in addition to the federal Work Opportunity Tax Credit, would encourage businesses to reevaluate any hesitations they might have in hiring qualified disabled workers. Also, the federal tax credit does not apply to all businesses.

A tax credit also would help compensate businesses for any costs associated with accommodating an employee's disability, such as widening a door or buying special furniture.

The tax credit would create a negligible cost to the state — according to the bill's fiscal note, only about \$1 million per year after fiscal 2001 — yet it would provide many disabled individuals with opportunities to work and lead better lives. Also, taxpayers would experience savings as disabled individuals obtained work and left public benefit programs.

**OPPONENTS
SAY:**

SB 783 is unnecessary because it would give businesses a state tax credit for doing something for which they already receive a federal tax credit. Also, businesses are prohibited from discriminating on the basis of disability, so the hiring of qualified disabled individuals already is protected and needs no further encouragement.

Taxes should not be reduced until schools, health care, and human service programs are fully funded. Texas has substantial unmet needs in all these areas.

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OTHER
OPPONENTS
SAY:

Narrow exceptions to taxation do help some Texans, but they produce little in terms of overall economic benefit, and the sum of all exceptions and credits can add up to significantly lower state revenues.