

SUBJECT: Providing tax incentives for university technology commercialization

COMMITTEE: Government Transparency and Operation — committee substitute recommended

VOTE: 6 ayes — Elkins, Walle, Galindo, Gonzales, Leach, Scott Turner

0 nays

1 absent — Gutierrez

WITNESSES: For — None

Against — (*Registered, but did not testify*: Conrad John, Travis County Commissioners Court; Teresa Beckmeyer; Marla Flint)

DIGEST: CSHJR 64 would amend the Texas Constitution to add Art. 8, sec. 1-p, which would enable the Legislature, by general law, to exempt from taxation certain property of university research technology corporations.

The proposed resolution would define “university research technology corporation” as a special-purpose corporation created to develop and commercialize technologies wholly or partly owned by a Texas higher education institution or a nonprofit medical center development corporation with members that were Texas higher education institutions.

Real property owned or leased by a university research technology corporation, or owned by a nonprofit medical development center corporation and leased to or used by the university research technology corporation, could receive the tax exemption according to eligibility requirements imposed by the Legislature.

The ballot proposal would be presented to voters at an election on November 3, 2015. It would read: “The constitutional amendment 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.”

**SUPPORTERS
SAY:**

CSHJR 64, in conjunction with its enabling legislation, CSHB 590 by Elkins, would create a more favorable tax environment in which to encourage the development and commercialization of technology by Texas institutions of higher education. Although Texas generally has a regulatory climate favorable to business, many startups that make use of university patents have moved out of state to seek more advantageous tax treatment of their investments. The proposed amendment would allow the Legislature to address this drain of university intellectual property by offering incentives for startups partnering with universities.

Together with CSHB 590, CSHJR 64 would help support economic development by putting university or medical research to commercial use without any cash outlays from the state. This incentive program could help faculty recruitment by creating a potentially lucrative outlet for their research.

The incentives afforded by the joint resolution would not lead university administrations to emphasize commercial research because universities already are aware of the need to find commercial uses for the patents and technologies they develop. This proposed amendment and its enabling legislation merely would channel those efforts in the most productive way for Texas.

Although tax revenue might decline somewhat at first, the tax breaks enabled by the joint resolution could pay for themselves because of the ancillary businesses that would emerge as a result of the commercialized research and technology.

**OPPONENTS
SAY:**

CSHJR 64 would enable legislation that could reduce revenue available to local governments and school districts. The Legislature should be mindful of the joint resolution’s potential impact on these local taxing entities, particularly school districts that would be held harmless for such losses at state expense.

University income from patents does not cover the costs of running centers for technology development and transfer. Before encouraging further commercialization of university research, the Legislature should develop metrics to better understand the benefits commercialization may offer for universities and students.

CSHJR 64 inappropriately would create tax breaks to support university research. Many Texans have concerns about certain types of research conducted at some universities, and such research should not be encouraged by tax exemptions provided by the state.

NOTES:

The Legislative Budget Board estimates that the resolution would have no fiscal implication to the state other than the \$118,681 publication cost. Any other costs would be a result of the joint resolution's enabling legislation.

CSHB 590 by Elkins, also on today's calendar, is the enabling legislation for the tax exemptions that would be authorized by voter approval of CSHJR 64.