

BILL ANALYSIS

Senate Research Center

S.B. 1113
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DIGEST

Currently, Texas faces the challenge of putting 50 percent of welfare recipients to work for at least 30 hours a week by the year 2002. Legislation passed by the 73rd Legislature provided a state franchise tax credit to encourage businesses to hire recipients of Aid to Families with Dependent Children (AFDC). The law set out provisions whereby a business can apply for a state tax refund of 20 percent of the worker's salary and up to a maximum refund of \$2,000 per employee, for each AFDC recipient hired and employed for one year, provided certain conditions are met. However, according to the comptroller's office, relatively few claims have been filed from a potential pool of more than 230,000 AFDC recipients, and of all claims filed, nearly 85 percent have been rejected for various reasons. Many companies that apply are rejected because their insurance policies do not meet the specifications of the law. In addition, many companies that hire entry-level employees are not aware of the program. At the federal level, the Small Business Protection Act of 1996 also provides employers an incentive for hiring AFDC recipients through the work opportunity tax credit, which can be claimed by employers hiring certain AFDC, food stamp recipients, and other disadvantaged workers. Employers can receive a tax credit of 35 percent of the employee's first year salary. This tax credit replaces the targeted jobs tax credit that expired on December 31, 1994, and will be administered by the Texas Workforce Commission (TWC).

This legislation designates TWC as the lead agency in promoting awareness of the federal work opportunity tax credit program and the state tax refund for wages paid to employees receiving financial assistance. S.B. 1113 also provides employers additional insurance options under which they will remain eligible for the state tax incentive program. This legislation also requires the Texas Department of Human Services to provide information as necessary to TWC to administer the program.

PURPOSE

As proposed, S.B. 1113 establishes the Texas Workforce Commission as the lead agency in promoting awareness of the state tax refund and federal income tax credit available to certain employers of Aid to Families with Dependent Children recipients.

RULEMAKING AUTHORITY

Rulemaking authority is granted to the Texas Workforce Commission in SECTION 2 (Section 301.107(a), Human Resources Code) of this bill.

SECTION BY SECTION ANALYSIS

SECTION 1. Amends Chapter 301D, Labor Code, by adding Section 301.067, as follows:

Sec. 301.067. FEDERAL WORK OPPORTUNITY TAX CREDIT AND STATE TAX REFUND FOR CERTAIN EMPLOYERS. Provides that the Texas Workforce Commission (TWC) is the lead agency in promoting awareness of the federal work opportunity tax credit program and the state tax refund for employers under Subchapter H. Sets forth the terms by which TWC, in coordination with the comptroller's office and the Texas Department of Human Services (department), is required to develop and distribute educational materials designed to increase awareness of the tax credit and tax refund.

SECTION 2. Amends Chapter 31D, Human Resources Code, by transferring to Chapter 301, Labor Code, redesignated as Subchapter H, as follows:

SUBCHAPTER H. TAX REFUND FOR WAGES PAID TO EMPLOYEE RECEIVING
FINANCIAL ASSISTANCE

Sec. 301.101. DEFINITION. Defines "wages." Redesignated from existing Section 31.071.

Sec. 301.102. TAX REFUND VOUCHER. Requires TWC, rather than the department, to issue a tax refund voucher. Redesignated from existing Section 31.072.

Sec. 301.103. AMOUNT OF REFUND; LIMITATION. Redesignated from existing Section 31.073.

Sec. 301.104. ELIGIBILITY. Sets forth the terms by which a person is eligible for the refund for wages paid or incurred by the person, only if the person provides and pays for the benefit of the employee a part of the cost of coverage under certain health plans, health benefit plans, or self-funded or self-insured employee welfare benefit plans, rather than if the person provides and pays for the benefit of the employee at least 80 percent of the cost of certain major medical health coverage. Makes conforming changes. Redesignated from existing Section 31.074.

Sec. 301.105. CERTIFICATION. Provides that a person is not eligible for the refund for wages paid or incurred by the person unless the person has received certain written certification from TWC, rather than the appropriate state agency. Redesignated from existing Section 31.075.

Sec. 301.106. APPLICATION FOR REFUND; ISSUANCE. Makes conforming changes. Redesignated from existing Section 31.076.

Sec. 301.107. RULES. Requires TWC to adopt rules as necessary to carry out its powers and duties under this subchapter. Requires the department to provide to TWC information as necessary to enable TWC to determine whether a person is eligible for the tax refund authorized by this subchapter.

SECTION 3. Amends Section 111.109, Tax Code, to make conforming changes.

SECTION 4. (a) Effective date: September 1, 1997, except as provided by Subsection (b).

(b) Provides that the changes in law made by this Act to Section 301.104, Labor Code, take effect January 1, 1998. Makes application of this Act prospective regarding a refund under Section 301.104, Labor Code, and a tax report.

(c) Requires the department to transfer to TWC any forms in the custody of the department that were prescribed by the department to issue a tax refund voucher as soon as possible after the effective date of this Act.

(d) Provides that rules of the department under Chapter 31D, Human Resources Code, are continued in effect as rules of TWC under Chapter 301H, Labor Code, until superseded by a rule of TWC.

SECTION 5. Emergency clause.