

BILL ANALYSIS

Senate Research Center
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H.B. 2684
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Finance
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Engrossed

AUTHOR'S / SPONSOR'S STATEMENT OF INTENT

Current law authorizes political subdivisions to join with each other to form a political subdivision corporation to negotiate the purchase of electricity for use in their respective public facilities. Interested parties assert that these corporations are not engaged in any transaction generating business revenue for the corporation, have no profits, and so do not pay franchise taxes, but nevertheless are required to file franchise tax reports because current law does not provide an express franchise tax exemption for such corporations.

Many entities similar in nature or function to these corporations, such as electric cooperatives, municipal water or sewer corporations, housing finance or economic development corporations, and certain nonprofit corporations formed to promote the public interest of a county or city, and others are exempt from the franchise tax and therefore from the requirement to file franchise tax reports.

H.B. 2684 seeks to address this situation by providing a franchise tax exemption for certain political subdivision corporations formed by two or more political subdivisions to negotiate the purchase of electricity on their behalf.

H.B. 2684 amends current law relating to an exemption from the franchise tax for certain political subdivision corporations.

RULEMAKING AUTHORITY

This bill does not expressly grant any additional rulemaking authority to a state officer, institution, or agency.

SECTION BY SECTION ANALYSIS

SECTION 1. Amends Subchapter B, Chapter 171, Tax Code, by adding Section 171.086, as follows:

Sec. 171.086. EXEMPTION: POLITICAL SUBDIVISION CORPORATION. Exempts a political subdivision corporation formed under Section 304.001 (Aggregation by Political Subdivisions), Local Government Code, from the franchise tax.

SECTION 2. Provides that this Act applies only to a report originally due on or after the effective date of this Act.

SECTION 3. Effective date: January 1, 2014.