

SENATE AMENDMENTS

2nd Printing

By: Harris Davila, Capriglione, Cook,
Simmons

H.B. No. 346

A BILL TO BE ENTITLED

AN ACT

relating to support for new businesses.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF TEXAS:

SECTION 1. Subchapter B, Chapter 405, Government Code, is amended by adding Section 405.025 to read as follows:

Sec. 405.025. ELIMINATION OF FIRST YEAR BUSINESS ENTITY FEES. The secretary of state shall, in coordination with appropriate state and local governmental entities, work to eliminate all fees relating to licensing and registration required to be paid by a business entity in the entity's first year of business, to the extent authorized by law.

SECTION 2. Subchapter E, Chapter 481, Government Code, is amended by adding Section 481.081 to read as follows:

Sec. 481.081. SUPPORT FOR NEW BUSINESS ORGANIZATIONS. To the extent possible, the office shall encourage the appropriate state entities to allocate at least five percent of funding budgeted for economic development programs, including community development block grants, to support businesses that:

(1) were established within the previous five years;
and

(2) have a principal place of business in this state.

SECTION 3. Subchapter B, Chapter 2155, Government Code, is amended by adding Section 2155.0735 to read as follows:

Sec. 2155.0735. PARTICIPATION BY NEW BUSINESSES IN STATE

1 PURCHASING. (a) In this section, "new business" means a business
2 in operation for less than five years with its principal place of
3 business in this state.

4 (b) The comptroller shall make reasonable efforts to
5 increase the number of contracts for the purchase of goods or
6 services awarded by state agencies to new businesses to at least
7 five percent of awarded contracts in a state fiscal year.

8 SECTION 4. Subchapter B, Chapter 2155, Government Code, is
9 amended by adding Section 2155.092 to read as follows:

10 Sec. 2155.092. REPORTING CONTRACTS WITH NEW BUSINESS. (a)
11 In this section, "new business" means a business that has been in
12 operation for less than five years and has its principal place of
13 business in this state.

14 (b) Not later than September 1 of each year, the comptroller
15 shall file a report with the legislature that identifies:

16 (1) the number of state contracts awarded to new
17 businesses during the previous year;

18 (2) the dollar value of all state contracts awarded to
19 new businesses during the previous year;

20 (3) the number of state contracts awarded to new
21 businesses that qualify as a historically underutilized business,
22 as defined by Section 2161.001, during the previous year;

23 (4) the geographic area of the state, including the
24 city and county, where each new business awarded a state contract in
25 the previous year is located;

26 (5) the percentage of all state contracts awarded to
27 new businesses during the previous year; and

1 (6) the percentage of the total dollar value of all
2 state contracts awarded to new businesses during the previous year.

3 (c) As part of the report required by Subsection (b) that
4 must be filed before September 1, 2026, the comptroller, in
5 conjunction with the Texas Economic Development and Tourism Office
6 within the office of the governor, shall make recommendations to
7 improve access by new businesses to state contracting, including
8 new businesses owned by statistically underrepresented demographic
9 groups and in statistically underrepresented geographic areas of
10 the state. This subsection expires January 1, 2027.

11 SECTION 5. Subchapter D, Chapter 301, Labor Code, is
12 amended by adding Section 301.0701 to read as follows:

13 Sec. 301.0701. ANNUAL REPORT ON ECONOMIC DEVELOPMENT. Not
14 later than September 1 each year, the commission shall submit a
15 report to the legislature on economic development in this state.
16 The report must include:

17 (1) the proportion of economic development funding,
18 including community development block grants, that supports
19 programs for:

20 (A) an individual who started a new business
21 within the preceding five years; or

22 (B) organizations that provide services to
23 individuals described by Paragraph (A); and

24 (2) the total amount of economic development funding
25 provided to programs described by Subdivision (1).

26 SECTION 6. Subchapter A, Chapter 302, Labor Code, is
27 amended by adding Section 302.0021 to read as follows:

1 Sec. 302.0021. ANNUAL WORKFORCE DEVELOPMENT FUNDING
2 REPORT. Not later than September 1 of each year, the commission
3 shall prepare and submit to the legislature a report on workforce
4 development funding. The report must include information on the
5 total amount of funding allocated by the division and any local
6 workforce development boards, and the percentage of all workforce
7 development funding that total represents, to support
8 organizations, services, and programs for:

- 9 (1) individuals starting a new business; and
10 (2) businesses established in the preceding five years
11 whose primary place of business is in this state.

12 SECTION 7. Subchapter D, Chapter 302, Labor Code, is
13 amended by adding Section 302.0615 to read as follows:

14 Sec. 302.0615. ALLOCATION OF FUNDS TO SUPPORT NEW
15 BUSINESSES. Unless superseded by federal law and notwithstanding
16 any other provision of this subchapter or other law, the commission
17 shall make reasonable efforts to ensure that at least five percent
18 of workforce development funds allocated by the commission in a
19 state fiscal year, including any funds distributed by local
20 workforce development boards, are used to support programs or
21 organizations that provide support to:

- 22 (1) persons establishing a business in this state; or
23 (2) businesses that:
24 (A) have been in operation for less than five
25 years; and
26 (B) have their principal place of business in
27 this state.

1 SECTION 8. Not later than September 1, 2026, the
2 comptroller of public accounts shall prepare and submit the first
3 annual report required by Section 2155.092, Government Code, as
4 added by this Act.

5 SECTION 9. Not later than September 1, 2026, the Texas
6 Workforce Commission shall prepare and submit the first annual
7 report required by Sections 301.0701 and 302.0021, Labor Code, as
8 added by this Act.

9 SECTION 10. This Act takes effect September 1, 2025.

ADOPTED

MAY 28 2025

Lately Law
Secretary of the Senate

By: Harris Davilla / King

H.B. No. 346

Substitute the following for H.B. No. 346:

By: C. Schwab

C.S.H.B. No. 346

A BILL TO BE ENTITLED

1 AN ACT
2 relating to the fee amounts prescribed by the secretary of state for
3 expedited commercial and business record searches or filings and
4 the exemption from the franchise tax and certain filing fees for
5 veteran-owned businesses.

6 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF TEXAS:

7 SECTION 1. Section 405.032, Government Code, is amended by
8 amending Subsection (a) and adding Subsection (d) to read as
9 follows:

10 (a) The secretary of state may set and collect the
11 following:

12 (1) for the expedited handling of a certified record
13 search or expedited filing of a document in the security interest
14 and financing statement records of the secretary, a fee in an amount
15 the secretary of state prescribes [~~of not more than \$15~~];

16 (2) for the expedited filing or reviewing of a
17 document relating to a profit or nonprofit corporation,
18 professional corporation or association, cooperative association,
19 unincorporated nonprofit association, limited or general
20 partnership, or limited liability company, a fee in an amount the
21 secretary of state prescribes [~~of not more than \$25~~];

22 (3) for the expedited access or access by electronic
23 data transmittal processes to data that is stored in state computer
24 record banks maintained by the secretary, a fee in an amount

1 reasonable and necessary to cover the costs of establishing and
2 administering the system. Notwithstanding any other provision of
3 this code, the secretary is authorized to maintain a system to
4 provide expedited access by electronic data transmittal processes
5 to all information that is stored in state computer banks
6 maintained by the secretary and that is not classified as
7 confidential by statute or a court decision; and

8 (4) for the expedited handling of a request for a
9 certified copy or certificate of fact relating to a corporation,
10 limited partnership, assumed name, trademark document, or other
11 document filed for public record with the corporations section of
12 the office of the secretary of state, a fee of not more than \$10 a
13 copy or certificate.

14 (d) In prescribing fee amounts under Subsections (a)(1) and
15 (2), the secretary of state may prescribe a varying fee schedule
16 based on the type of business organization. The secretary of state
17 shall publish on the secretary of state's Internet website the
18 prescribed fee amounts and any varying fee schedule.

19 SECTION 2. The following provisions are repealed:

20 (1) Section 3, Chapter 859 (S.B. 938), Acts of the 87th
21 Legislature, Regular Session, 2021, as effective January 1, 2026,
22 which amended Section 171.0001(4), Tax Code;

23 (2) Section 7, Chapter 859 (S.B. 938), Acts of the 87th
24 Legislature, Regular Session, 2021, as effective January 1, 2026,
25 which amended Section 171.063(g), Tax Code; and

26 (3) Section 9, Chapter 859 (S.B. 938), Acts of the 87th
27 Legislature, Regular Session, 2021, as effective January 1, 2026,

1 which provided for the repeal of Section 12.005, Business
2 Organizations Code, and Sections 171.0005, 171.001(d), and
3 171.204(d), Tax Code.

4 SECTION 3. This Act takes effect September 1, 2025.

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 89TH LEGISLATIVE REGULAR SESSION

May 29, 2025

TO: Honorable Dustin Burrows, Speaker of the House, House of Representatives

FROM: Jerry McGinty, Director, Legislative Budget Board

IN RE: HB346 by Harris Davila (Relating to the fee amounts prescribed by the secretary of state for expedited commercial and business record searches or filings and the exemption from the franchise tax and certain filing fees for veteran-owned businesses.), **As Passed 2nd House**

<p>The fiscal implications of the bill cannot be determined because increased revenue from fees for expedited business filings as authorized by the bill would vary in a manner to be determined by the Secretary of State.</p>

The bill would amend the Government Code to remove certain defined fees the Secretary of State (SOS) is authorized to charge for expedited business filing services. In place of these defined fees, SOS would be authorized to prescribe varying fees for these services based on the type of organization at rates to be determined by the agency. Revenue gained would be determined on the fees set by the agency and the number of businesses choosing expedited filing; neither of these factors can be determined at this time. As a result, revenue generated by the bill cannot be determined.

Local Government Impact

No significant fiscal implication to units of local government is anticipated.

Source Agencies: 304 Comptroller of Public Accounts, 307 Secretary of State

LBB Staff: JMc, SD, RStu, LCO, GP, NV

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 89TH LEGISLATIVE REGULAR SESSION

May 22, 2025

TO: Honorable Phil King, Chair, Senate Committee on Economic Development

FROM: Jerry McGinty, Director, Legislative Budget Board

IN RE: HB346 by Harris Davila (relating to the fee amounts prescribed by the secretary of state for expedited commercial and business record searches or filings and the exemption from the franchise tax and certain filing fees for veteran-owned businesses.), **Committee Report 2nd House, Substituted**

<p>The fiscal implications of the bill cannot be determined because increased revenue from fees for expedited business filings as authorized by the bill would vary in a manner to be determined by the Secretary of State.</p>

The bill would amend the Government Code to remove certain defined fees the Secretary of State (SOS) is authorized to charge for expedited business filing services. In place of these defined fees, SOS would be authorized to prescribe varying fees for these services based on the type of organization at rates to be determined by the agency. Revenue gained would be determined on the fees set by the agency and the number of businesses choosing expedited filing; neither of these factors can be determined at this time. As a result, revenue generated by the bill cannot be determined.

Local Government Impact

No significant fiscal implication to units of local government is anticipated.

Source Agencies: 304 Comptroller of Public Accounts, 307 Secretary of State

LBB Staff: JMc, RStu, LCO, GP, NV

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 89TH LEGISLATIVE REGULAR SESSION

May 20, 2025

TO: Honorable Phil King, Chair, Senate Committee on Economic Development

FROM: Jerry McGinty, Director, Legislative Budget Board

IN RE: HB346 by Harris Davila (Relating to support for new businesses.), **As Engrossed**

Estimated Two-year Net Impact to General Revenue Related Funds for HB346, As Engrossed: a negative impact of (\$240,000,000) through the biennium ending August 31, 2027.

General Revenue-Related Funds, Five- Year Impact:

<i>Fiscal Year</i>	Probable Net Positive/(Negative) Impact to General Revenue Related Funds
2026	(\$120,000,000)
2027	(\$120,000,000)
2028	(\$120,000,000)
2029	(\$120,000,000)
2030	(\$120,000,000)

All Funds, Five-Year Impact:

<i>Fiscal Year</i>	Probable Revenue Gain/(Loss) from General Revenue Fund 1
2026	(\$120,000,000)
2027	(\$120,000,000)
2028	(\$120,000,000)
2029	(\$120,000,000)
2030	(\$120,000,000)

Fiscal Analysis

The bill would amend the Government Code to eliminate all fees relating to licensing and registration required to be paid by a business entity in the entity's first year of business, to the extent authorized by law. The bill would direct the Texas Economic Development and Tourism Office to encourage appropriate state entities to allocate at least five percent of funding budgeted for economic development programs, including community development block grants, to support "new businesses," defined in the bill as a business in operation for less than five years with its principal place of business in Texas. The bill would require the Comptroller to make reasonable efforts to increase the number of contracts for the purchase of goods or services awarded by state agencies to new businesses to at least five percent of awarded contracts in a state fiscal year.

The bill would amend the Labor Code to direct the Texas Workforce Commission to make reasonable efforts to ensure at least five percent of workforce development funds each fiscal year are distributed to new businesses.

The bill would require the Comptroller and the Texas Workforce Commission to file annual reports with the

Legislature regarding the programs in the bill.

The bill would take effect September 1, 2025.

Methodology

According to the Comptroller of Public Accounts, registering a company in Texas currently costs between \$300 and \$750. There are approximately 400,000 new companies who register in Texas each year. The majority of new companies registered each year are limited liability companies.

Based on the analysis of the Comptroller of Public Accounts, there would be an estimated revenue loss to the General Revenue Fund of \$120,000,000 per fiscal year, assuming each company is paying \$300 for the certificates of formation issued by the Secretary of State, and that other fees for licensing and registration levied by other state agencies are not affected by this bill. The estimated revenue decline could be significantly higher if the bill was interpreted to eliminate fees for licensing or registration imposed or collected by other state agencies on any new business entity during its first year of existence.

It is assumed that any costs associated with the bill could be absorbed using existing resources.

Local Government Impact

No significant fiscal implication to units of local government is anticipated.

Source Agencies: 300 Trusteed Programs Within the Office of the Governor, 304 Comptroller of Public Accounts, 307 Secretary of State, 320 Texas Workforce Commission

LBB Staff: JMc, RStu, WP, GDZ, JBel, BRI

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 89TH LEGISLATIVE REGULAR SESSION

April 1, 2025

TO: Honorable Ken King, Chair, House Committee on State Affairs

FROM: Jerry McGinty, Director, Legislative Budget Board

IN RE: HB346 by Harris Davila (Relating to support for new businesses.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for HB346, As Introduced: a negative impact of (\$240,000,000) through the biennium ending August 31, 2027.

General Revenue-Related Funds, Five- Year Impact:

<i>Fiscal Year</i>	Probable Net Positive/(Negative) Impact to General Revenue Related Funds
2026	(\$120,000,000)
2027	(\$120,000,000)
2028	(\$120,000,000)
2029	(\$120,000,000)
2030	(\$120,000,000)

All Funds, Five-Year Impact:

<i>Fiscal Year</i>	Probable Revenue Gain/(Loss) from General Revenue Fund
2026	(\$120,000,000)
2027	(\$120,000,000)
2028	(\$120,000,000)
2029	(\$120,000,000)
2030	(\$120,000,000)

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