

- SUBJECT:** Exempting park model travel trailers from ad valorem taxation
- COMMITTEE:** Ways and Means — favorable, without amendment
- VOTE:** 7 ayes — Keffer, Ritter, Otto, Bonnen, Y. Davis, Peña, Pitts
0 nays
2 absent — Flores, Paxton
- WITNESSES:** For — Mary Helen Flowers, Gene Phagan, Upper Valley Home and RV Owners Association; Ron Hinkle, Brian Schaeffer, Texas Association of Campground Owners; Clark McEwan, Texas Recreational Vehicle Association (*Registered, but did not testify*: Dean McWilliams, Texas Recreational Vehicle Association; and three others)

Against — None
- BACKGROUND:** Under Tax Code, subsec. 11.14(a), a person is entitled to exemption from ad valorem taxation of all tangible personal property, other than manufactured homes, that the person owns and that is not used for production of income. A "manufactured home" is defined as a U.S. Department of Housing and Urban Development-code manufactured home or mobile home. A structure that is owned by a person and that is substantially affixed to real estate and is used or occupied as a residential dwelling is not exempt from taxation.
- In November 2001, voters approved an amendment to the Texas Constitution (Proposition 14, HJR 44 by Flores) to allow the Legislature to authorize taxing units other than school districts to grant property-tax exemptions to owners of non-income-producing travel trailers registered in Texas, regardless of whether the trailers were real or personal property.
- In November 2003, voters approved another amendment to the Texas Constitution (Proposition 5, SJR 25 by Staples and Lucio) to repeal the specific authorization for exempting travel trailers from taxation and instead to exclude from tax exemption residential structures that are substantially affixed to real estate.

DIGEST: HB 1928 would exclude from the definition of "structure" under Tax Code sec. 11.14 a vehicle that:

- was a trailer-type unit primarily designed for use as temporary living quarters in connection with recreational, camping, travel, or seasonal use;
- was built on a single chassis mounted on wheels;
- had a gross trailer area of 400 square feet or less in the set-up mode; and
- was certified by the manufacturer as complying with American National Standards Institute Standard A119.5.

This change would exempt such vehicles from ad valorem taxation as non-income-producing personal property.

The bill would take effect January 1, 2008, and would apply to a tax year beginning on or after that date.

SUPPORTERS
SAY:

HB 1928 would provide tax relief for owners of "park model" travel trailers, which usually are less than 400 square feet and are used as seasonal residences by "winter Texans" who visit and live in the state for several months every year. These trailers are built on a single chassis and can be towed after the skirting is removed and the wheels reinstalled. They are not real property and are not substantially affixed to real estate and thus should not be subject to ad valorem taxation.

Texas voters have twice enacted constitutional amendments exempting travel trailers from taxation. However, due to confusion among local appraisers, park model travel trailers have continued to be taxed as if they were attached to real property. HB 1928 would eliminate this problem by establishing a detailed description of these structures in statute and clearly specifying that they are exempt from ad valorem taxation.

Fairer treatment of park model travel trailer owners would help promote tourism in Texas and would encourage more people to visit the state for extended periods. The Rio Grande Valley historically has been an attractive destination for seasonal visitors, and park model travel trailers are a preferred residential option for many of these tourists. However, unfair property taxes have slowed the influx of these visitors, negatively impacting the economy of South Texas. Travel-trailer owners are a tight-knit community, notifying each other quickly about policy changes

affecting their interests. Eliminating taxation of park model travel trailers likely would spur an influx of visitors whose local economic impact would far exceed the lost tax revenue from this exemption.

HB 1928 would prevent double-taxation of the owners of these vehicles, who pay sales tax at the point of purchase as well as paying for license plates and registration. Many of the winter Texans who own these travel trailers pay income taxes and property taxes in the states in which they live for the remainder of the year. Taxation of these units is unfair because the owners are not residents of the communities in which the trailers are located and are unable to participate fully in local government.

Many owners of park model travel trailers are senior citizens living on fixed incomes. Rising property taxes have hit these individuals especially hard, and continued taxation of park model travel trailers in Texas could drive these visitors to other states. The 80th Legislature demonstrated a willingness to provide tax relief to senior citizens by enacting SJR 13 by Averitt, which, if approved by voters, would reduce the school property taxes paid by the elderly and disabled. HB 1928 would extend this policy to senior citizens visiting the state who own park model travel trailers.

**OPPONENTS
SAY:**

By providing an exemption for park model travel trailers, HB 1928 would erode the local tax base in counties in which a substantial number of these trailers are located. In Hidalgo County alone, an estimated \$50 million could be taken off the appraisal tax rolls, representing a two percent reduction in a county with \$2.5 billion in total appraised value. This loss in value to counties, cities, and school districts would have to be made up by raising other taxes, so that permanent residents would have to subsidize this tax exemption for "winter Texans."

Although park model owners claim that the units are seasonal and mobile, once they are parked on a lot, these units actually do not move. It is misleading to call a park model travel trailer a vehicle when it has been attached to a piece of property and includes additions such as extra rooms and garages. These structures clearly fall under the definition of "substantially affixed" and should be taxed appropriately.

HB 1928 would create a privileged class of homeowner that is exempted from taxation even as mobile homes continue to be taxed. Park model trailers exempted under this bill could be occupied indefinitely, and many more closely resemble a house than a mobile RV-type vehicle. Semi-

permanent residents who use government services should be expected to contribute to public services that local governments provide.

Despite the long-standing claims that local taxes inhibit tourism, "winter Texans" keep returning. Clearly, they choose their seasonal homes not on the basis of taxation but because of other factors, such as the overall low cost of living, aesthetics of the landscape, and proximity to the Gulf of Mexico.

Due to the hold-harmless provisions of HB 1, 79th Legislature, third called session, HB 1928 could require the state to contribute further revenues to school districts that lost value under the park model travel trailer exemption. If a school district with a substantial number of exempted vehicles lost a significant amount of appraised value, the amount of money that district could raise from local ad valorem taxes would fall. If that district fell below its hold harmless level, then the state would have to contribute additional general revenue to maintain its mandated level of funding for the district. The state should not undermine the integrity of local tax bases when the state must pay the tab for any losses to local school districts.

OTHER
OPPONENTS
SAY:

It is not clear how park model trailers with extra rooms, garages, spas, and other additions would be dealt with for the purpose of assessing ad valorem taxes. As currently drafted, HB 1928 could be interpreted to exempt a park model trailer that was under 400 square feet, while any additions made to such a trailer could continue to be appraised for ad valorem tax purposes.

While the majority of park model trailers are smaller than 400 square feet, some are slightly larger. Under HB 1928, a trailer that was five or ten square feet over the 400-square foot limit could be subject to taxation, which could create confusion for appraisers and park model owners.

NOTES:

The companion bill, SB 841 by Lucio, has been referred to the Senate Finance Committee.