

- SUBJECT:** Expanding the exemption for business personal property taxes
- COMMITTEE:** Ways and Means — favorable, without amendment
- VOTE:** 9 ayes — Meyer, Thierry, Button, Guerra, Murphy, Noble, Rodriguez, Sanford, Shine
- 1 nay — Cole
- 1 absent — Martinez Fischer
- SENATE VOTE:** On final passage, April 22 — 31-0
- WITNESSES:** For — Marya Crigler, Texas Association of Appraisal Districts and Travis County Appraisal District; (*Registered, but did not testify*: John McCord, NFIB; Megan Herring, Texas Association of Business; James LeBas, Texas Association of Manufacturers; R Clint Smith, Texas Association of Property Tax Professionals; Vance Ginn, Texas Public Policy Foundation; Dale Craymer, Texas Taxpayers and Research Association)
- Against — (*Registered, but did not testify*: Russell Schaffner, Tarrant County)
- On — (*Registered, but did not testify*: Korry Castillo, Comptroller of Public Accounts)
- BACKGROUND:** Tax Code sec. 11.145 exempts from taxation a person's tangible personal property that is held or used for the production of income if that property has a taxable value of less than \$500.
- DIGEST:** SB 1449 would expand the tax exemption for tangible personal property used for the production of income so that it applied to such property with a taxable value of less than \$2,500.
- The bill would take effect January 1, 2022, and apply only to property taxes imposed for a tax year that began on or after that date.

**SUPPORTERS
SAY:**

SB 1449 would relieve the tax burden on businesses by raising from \$500 to \$2,500 the tax exemption for business personal property. Such property includes items such as manufacturers' samples, consigned goods at craft markets, business documents, furniture, mineral interests, or other business inventory items. The \$500 exemption was established in 1995 to cover businesses whose property values were insufficient to cover the costs of administering the tax.

The exemption has not changed or increased to account for inflation since and no longer covers administration costs. As it currently stands, the business personal property tax is inefficient and especially harmful to small businesses. Many small businesses with low taxable values are unaware of this tax and it wastes significant time and resources for both the business and taxing units to levy the tax. Additionally, the small businesses are burdened by additional late penalties. SB 1449 would increase the exemption amount to relieve this tax burden and make the tax more administratively efficient.

The bill's fiscal impact would be offset by the savings to both the businesses and to local taxing units. The cost to some appraisal districts of levying the tax at the current exemption amount far outpaces the often small amounts of tax revenue generated, so both the taxpayers and taxing units would benefit from increasing the exemption.

**CRITICS
SAY:**

SB 1449 could have a negative fiscal impact on some local governments that depend on property tax revenues, potentially affecting their ability to provide important public services. The business personal property tax already is one of the most highly exempted property classes in statute, so the bill is not necessary.

NOTES:

According to the Legislative Budget Board, the bill would cost the Foundation School Fund about \$759,000 through fiscal 2023. It is estimated to cost school districts \$3.1 million, cities \$1 million, and counties \$924,000 through 2022-23.