

SUBJECT: Exempting certain property held by medical manufacturers from taxation

COMMITTEE: Ways & Means — favorable, without amendment

VOTE: 10 ayes — Meyer, Thierry, Button, Craddick, Gervin-Hawkins, Muñoz,  
Noble, Raymond, Shine, Turner

0 nays

1 absent — Hefner

SENATE VOTE: On final passage (April 13) — 26 - 4

WITNESSES: None

BACKGROUND: Some have suggested that the current tax structure on medical and biomedical manufacturing inventories may discourage capital investment and expansion of these industries in Texas.

DIGEST: SB 2289 would exempt from taxation medical or biomedical property, as defined by the bill, that a person owned or leased that was located in a medical or biomedical manufacturing facility that the person owned or leased. The bill would prohibit the governing body of a taxing unit from providing for the taxation of medical or biomedical property exempted under the bill.

Applicable property acquired after January 1 of a tax year could be eligible for the exemption for the applicable portion of the tax year immediately on qualification for the exemption. Once the exemption was authorized, it would not need to be claimed in subsequent years.

The bill would take effect January 1, 2024, and would apply only to a tax year that began on or after the effective date only if the constitutional amendment authorizing the Legislature to exempt from ad valorem taxation equipment or inventory held by a manufacturer of medical or biomedical products was approved by voters.

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NOTES: SB 2289 is the enabling legislation for SJR 87, which also is on the daily House calendar for second reading consideration today.

According to the Legislative Budget Board, SB 2289 would have a negative impact of \$28,826,000 through the biennium ending August 31, 2025.