BILL ANALYSIS

Senate Research Center
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C.S.H.B. 621
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Finance
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Committee Report (Substituted)

AUTHOR'S / SPONSOR'S STATEMENT OF INTENT

Under current law, certain tangible personal property is exempt from ad valorem taxation if the property is detailed in this state for assembling, storing, manufacturing, processing, or fabricating purposes by the person who acquired or imported the property. However, property that would otherwise be exempt, such as warehouse inventory, is subject to taxation by the state which may place the Texas warehousing industry at a competitive disadvantage to similar industries in neighboring states or across the border.

The 77th Legislature, Regular Session, 2001, enacted and voters endorsed S.J.R. 6 to authorize the legislature to exempt from ad valorem taxation all "goods-in-transit."

C.S.H.B. 621 provides that both interstate and intrastate goods-in-transit are exempt from taxation. This bill authorizes local taxing districts to choose to continue taxation at a local option.

RULEMAKING AUTHORITY

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

SECTION BY SECTION ANALYSIS

SECTION 1. Amends Subchapter B, Chapter 11, Tax Code, by adding Section 11. 253.

Sec. 11.253. TANGIBLE PERSONAL PROPERTY IN TRANSIT. (a) Defines "dealer's motor vehicle inventory," "dealer's vessel and outboard motor inventory," "dealer's heavy equipment inventory," "retail manufactured housing inventory," "goods-in-transit," "location," and "petroleum product."

(b) Entitles a person to an exemption (exemption) from taxation of the appraised value of that portion of the person's property that consists of goods-in-transit.

(c) Describes the method for determining the taxable value of the property.

(d) Requires the chief appraiser (appraiser) to determine the appraised value of goods-in-transit under this subsection, except as provided by Subsections (f) and (g). Requires the appraiser to determine the percentage of the market value of tangible personal property owned by the property owner and used for the production of income in the preceding calendar year that was contributed by goods-in-transit. Requires that in the first year in which the exemption applies to a taxing unit, the appraiser determine the percentage as if the exemption applied in the preceding year. Requires the appraiser to apply the percentage to the market value of the property owner's tangible personal property used for the production of income for the current year to determine the appraised value of goods-in-transit for the current year.

(e) Requires the appraiser, in determining the market value of certain goods-in-transit from the preceding year, to exclude certain costs including equipment, machinery, or materials that entered into and became component parts of the goods-in-transit but were not themselves goods-in-transit or that were not transported to another location in this state or outside this state before the expiration of 175 days after the date they were brought into this state by the property owner or acquired by the property owner in this state. Authorizes the appraiser to use, for component parts held in bulk, the average length of time a component part was held by the owner of the component parts during the preceding year at a location in this state that was not owned by or under the control of the owner of the component parts in determining whether the component parts were transported to another location in this state or outside this state before the expiration of 175 days.

(f) Requires the appraiser, if the property owner was not engaged in transporting goods-in-transit to another location in this state or outside this state for the entire preceding year, to calculate the percentage of the market value described in Subsection (d) for the portion of the year in which the property owner was engaged in transporting goods-in-transit to another location in this state or outside this state.

(g) Requires the appraiser, if the property owner or the appraiser demonstrates that the method provided by Subsection (d) significantly understates or overstates the market value of the property qualified for an exemption under Subsection (b) in the current year, to determine the market value of the goods-in-transit to be exempt by determining, according to the property owner's records and any other available information, the market value of those goods-in-transit owned by the property owner on January 1 of the current year, excluding equipment, machinery, or materials that entered into and became component parts of the goods-in-transit but were not themselves goods-in-transit or that were not transported to another location in this state or outside this state before the expiration of 175 days after the date they were brought into this state by the property owner or acquired by the property owner in this state.

(h) Authorizes the appraiser by written notice to require the property owner who claims an exemption under this section to provide copies of property records so the appraiser can determine the amount and value of goods-in-transit and that the location in this state where the goods-in-transit were detained for assembling, storing, manufacturing, processing, or fabricating purpose was not owned by or under the control of the owner of the goods-in-transit. Establishes a deadline for the property owner to deliver the information requested for the 31st day after the notice is delivered, after which the property owner forfeits the right to claim or receive the exemption for that year.

(i) Provides that property that meets the requirements of this section constitutes goods-in-transit regardless of whether the person who owns the property on January 1 is the person who transports the property to another location in this state or outside this state.

(j) Authorizes the governing body of a taxing unit, in the manner required for official action by the governing body, to provide for the taxation of goods-in-transit exempt under Subsection (b) and not exempt under other law. Requires the action to be taken before January 1 of the first tax year that the governing body proposes to tax goods-in-transit. Requires the governing body to conduct a public hearing as required by Section 1-n(d), Article VIII, Texas Constitution, before acting to exempt property. Provides that if the governing body of a taxing unit provides for the taxation of the goods-in-transit as provided by this subsection, the exemption prescribed by Subsection (b) does not apply to that unit. Sets forth the conditions under which the goods-in-transit remain subject to taxation by the taxing unit.

(k) Provides that a property owner who receives the exemption from taxation by Subsection (b) is not eligible to receive the exemption from taxation provided by Section 11.251 for the same property.

SECTION 2. Amends Section 26.012(15), Tax Code, to redefine "lost property levy."

SECTION 3. Amends Section 403.302(d), Government Code, to redefine "taxable value."

SECTION 4. Makes application of this Act prospective.

SECTION 5. Effective date: January 1, 2008.