

BILL ANALYSIS

Senate Research Center

S.B. 763
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Finance
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AUTHOR'S / SPONSOR'S STATEMENT OF INTENT

S.B. 763 allows businesses with business personal property to qualify for a property tax exemption on that property worth \$50,000 or less. It does this by allowing any business with \$50,000 or less in business personal property to file a simplified rendition form and qualify for a tax exemption for the property. For firms that have \$50,000 or more in business personal property, they will still have to file a detailed rendition, but they also qualify for a tax exemption for the first \$50,000 in value.

Small businesses are an important part of our state economy and they need relief from the fiscal and administrative burden of paying property taxes on their business personal property. Dealing with business personal property renditions is time-consuming for taxpayers and appraisal districts. Appraisal districts lack the resources to check on small taxpayers and it is an administrative headache for small businesses to render their property. By allowing them to file a simplified form and granting them an exemption, they can spend their time on value-added activities and appraisal districts can focus on appraising more valuable properties.

S.B. 763 will affect all taxing units in the state, and requires a joint resolution to amend Article VIII, Section 1 (g), of the Texas Constitution to give the legislature the authority exempt up to \$50,000 of business personal property used to produce income. The voters will have to approve the amendment before the increased homestead exemption can take effect.

As proposed, S.B. 763 amends current law relating to the exemption from ad valorem taxation of certain income-producing tangible personal property.

RULEMAKING AUTHORITY

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

SECTION BY SECTION ANALYSIS

SECTION 1. Amends Section 22.01, Tax Code, by amending Subsection (f) and adding Subsection (f-1), as follows:

(f) Provides that, notwithstanding Subsections (a) (requiring a person to render for taxation all tangible personal property used for the production of income that the person owns or that the person manages and controls as a fiduciary on January 1) and (b) (requiring a person to render for taxation any other taxable property that he owns or that he manages and controls as a fiduciary on January 1 when required by the chief appraiser), a rendition statement of a person who owns tangible personal property used for the production of income located in the appraisal district that has an aggregate value of less than \$50,000, rather than \$20,000, in the owner's opinion, is required to contain only:

(1)-(3) Makes no changes to these subdivisions.

(f-1) Requires a person to render the property under Subsection (a), but provides that any amount less than \$50,000 of that value is exempt from taxation under this title if a person

who owns tangible personal property used for the production of income located in the appraisal district that, in the owner's opinion, has an aggregate value of at least \$50,000. Prohibits the exemption from being transferred to another person.

SECTION 2. Amends Section 22.07, Tax Code, by amending Subsection (c) and (f) and adding Subsection (g), as follows:

(c) Authorizes the chief appraiser to request, either in writing or by electronic means, that the property owner provide a statement containing supporting information indicating how the value rendered under Section 22.01(a)(5) (Rendition Generally) or claimed to be exempt under Section 22.01(f) was determined. Requires that the statement:

(1)-(2) Makes no changes to these subdivisions.

(3) explain the basis of the value rendered or claimed exempt rather than the basis of the value rendered.

(f) Provides that, except as provided by Subsection (g), failure to comply with this section in a timely manner is considered to be a failure to timely render under Section 22.01 and penalties as described in Section 22.28 (Penalty for Delinquent Report; Penalty Collection Procedures) shall be applied by the chief appraiser. Makes a nonsubstantive change.

(g) Requires the chief appraiser to apply a penalty in an amount equal to 10 percent of the total amount of taxes that would have been imposed on the property for that year by taxing units participating in the appraisal district but for the exemption under Section 22.01(f) if failure to provide in a timely manner a statement requested under Subsection (c) indicating how the value claimed to be exempt under Section 22.01(f) was determined is a violation of Section 22.01.

SECTION 3. Provides that this Act applies beginning with the tax year that begins January 1, 2016.

SECTION 4. Effective date: contingent upon approval by the voters of the constitutional amendment proposed by the 84th Legislature, Regular Session, 2015, authorizing the legislature to exempt from ad valorem taxation income-producing tangible personal property valued at less than \$50,000.