

## **BILL ANALYSIS**

Senate Research Center  
86R2677 TJB-D

S.B. 1005  
By: Bettencourt et al.  
Property Tax  
3/22/2019  
As Filed

### **AUTHOR'S / SPONSOR'S STATEMENT OF INTENT**

In 1989, Texas voters approved a constitutional amendment giving local property tax jurisdictions the optional authority to exempt from taxation specific personal property exported from Texas (aka, freeport exemption/freeport goods). Freeport goods are specific types of tangible business personal property inventory that must also meet the following criteria to qualify as exempt from taxation:

(1) are or will be forwarded out of Texas within 175 days of the date acquired or brought into Texas; and

(2) are in Texas for assembling, storing, manufacturing, repair, maintenance, processing or fabricating purposes.

Oil, natural gas, and other petroleum products were excluded from eligibility for the exemption and remain taxable.

Interested parties are concerned the timeframe for which the associated tangible property is allowed to be present in Texas prior to export, 175 days, is too brief to realize the full potential positive economic impacts of the freeport tax exemption. Since most other states either do not tax business personal property or tax it at less than full value, without the freeport exemption or an extended timeframe to qualify for an exemption, Texas is at an economic competitive disadvantage.

S.B. 1005 addresses these concerns by expanding the timeframe for which an associated tangible property is allowed to be present in Texas prior to export, from the current 175 days to 365 days, in order to qualify for an exemption.

As proposed, S.B. 1005 amends current law relating to the number of days that certain tangible personal property that is exempt from ad valorem taxation due to its location in this state for a temporary period may be located in this state for the purpose of qualifying for the tax exemption.

### **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 Sections 11.251(e), (g), and (k), Tax Code, as follows:

(e) Requires the chief appraiser, in determining the market value of freeport goods that in the preceding year were assembled, manufactured, repaired, maintained, processed, or fabricated in this state or used by the person who acquired or imported the property in the repair or maintenance of aircraft operated by a certificated air carrier, to exclude the cost of equipment, machinery, or materials that entered into and became component parts of the freeport goods but were themselves freeport goods or that were not transported outside the state before the expiration of 365 days, rather than 175 days, or if applicable, the greater number of days adopted by the taxing unit as authorized by Subsection (l)

(relating to authorizing the governing body of a taxing unit to extend the date by which freeport goods are required to be transported), after they were brought into this state by the property owner or acquired by the property owner in this state. Authorizes the chief appraiser, for component parts held in bulk, to use the average length of time a component part was held in this state by the property owner during the preceding year in determining whether the component parts were transported out of this state before the expiration of 365 days, rather than 175 days, or, if applicable, the greater number of days adopted by the taxing unit as authorized by Subsection (l).

(g) and (k) Makes conforming changes to these subsections.

SECTION 2. Makes application of this Act prospective.

SECTION 3. Effective date: January 1, 2020, contingent on approval by the voters of the constitutional amendment proposed by the 86th Legislature, Regular Session, 2019, to extend the number of days that certain tangible personal property that is exempt from ad valorem taxation due to the location in this state due for a temporary period is authorized to be located in this state for the purpose of qualifying for the tax exemption.