

BILL ANALYSIS

Senate Research Center
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S.B. 1315
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Local Government
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AUTHOR'S / SPONSOR'S STATEMENT OF INTENT

Under the Texas Tax Code, a lessee who holds a leasehold interest in property that is being leased from a navigation district is exempt from paying property taxes on that leasehold interest if the property being leased is "used as an aid or facility incidental to or useful in the operation or development of port or waterway or in aid of navigation-related commerce." Under current law, a county appraisal district makes its determination regarding the character of the activities a lessee engages in to determine whether the activities are used in aid of navigation-related commerce, and thus qualify for the property tax exemption. Since the Tax Code does not define "navigation-related commerce," county appraisal districts may apply different standards in determining what meets the definition of "navigation-related commerce." Application of different standards could affect industry and the economic development of a community in one navigation district over another should lessees choose to enter into leases in other navigation districts in other counties that construe "navigation-related commerce" broadly.

S.B. 1315 clarifies several activities that should be interpreted as "navigation-related commerce" by county appraisal districts. If the activity by a lessee is an activity enumerated in this bill, it is prima facie evidence that the activity meets the exemption under the Tax Code. The enumerated list of activities in S.B. 1315 are non-exhaustive. Accordingly, appraisal districts are not limited by the specifically named activities when making their determination of the applicability of this section of the Tax Code.

By making this clarification, S.B. 1315 will create uniformity in definitions across the state thereby promoting equal footing in economic development.

As proposed, S.B. 1315 amends current law relating to the determination that certain property is used as an aid or facility incidental to or useful in the operation or development of a port or waterway or in aid of navigation-related commerce for purposes of the application of certain ad valorem tax laws.

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 25.07, Tax Code, by adding Subsections (d) and (e), as follows:

(d) Provides that, for purposes of Subsection (b)(6)(B) (relating to a leasehold or other possessory interest in exempt property used as an aid or facility incidental or useful in certain navigation-related commerce and prohibited from being listed in the name of the owner of the possessory interest) of Section 25.07 (Leasehold and Other Possessory Interests in Exempt Property), property is used as an aid or facility incidental to or useful in the operation or development of a port or waterway or in aid of navigation-related commerce if the property:

(1) is leased to a person:

(A) engaged in the business of navigation-related commerce; or

(B) for a purpose described by Section 60.101 (Acquisition and Maintenance of Port Facilities), 61.162 (Lease and Rental of Facilities), or 63.153 (General Authority of District), Water Code, or for the placement on the property of an improvement described by those sections;

(2) is located adjacent to a federal navigation project, or in a foreign trade zone established and operated under federal law; or

(3) includes part of a rail facility that serves the tenants and users of the port or waterway.

(e) Provides that, in Section 25.07, "navigation-related commerce" includes the following if engaged in by a person: an activity that requires the person to hold a maritime-related license or permit issued by a navigation district, including providing stevedoring, steamship agency, towing, tugboat, or line handling services; an activity that requires the person to hold a franchise issued by a navigation district; possessing a leasehold interest in property owned by a navigation district that connects infrastructure to a public dock; hauling cargo into or across a public dock; commercial fishing; constructing, fabricating, cleaning, repairing, dismantling, or recycling vessels; pilotage; or an activity described by Section 60.101, 61.162, or 63.153, Water Code.

SECTION 2. Makes application of this Act prospective.

SECTION 3. Effective date: September 1, 2021.