

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 79TH LEGISLATIVE REGULAR SESSION

April 25, 2005

TO: Honorable Steve Ogden, Chair, Senate Committee on Finance

FROM: John S. O'Brien, Deputy Director, Legislative Budget Board

IN RE: SB1653 by Staples (Relating to the determination of the market value of certain drug supplies for ad valorem property tax purposes.), **As Introduced**

Since the bill would exempt the inventory of some or all wholesale drug distributors, taxable property values would decrease.

The bill would state that drug supplies held in the inventory of a wholesale drug distributor on January 1 for a temporary period (defined as less than 60 days) are not taxable for property tax purposes. In determining the application of this bill, the chief appraiser and distributor would have to rely on information showing the average number of days that drug supplies were held in inventory by the distributor during the preceding year. The bill would also provide that drug supplies held for less than 60 days on January 1 would not be subject to personal property rendition provisions requirements.

According to the Comptroller's office, in 2003, there were approximately 750 "establishments primarily engaged in the wholesale distribution of prescription drugs, proprietary drugs, druggists' sundries, and toiletries" in Texas. Since the bill would exempt the inventory of some or all of those establishments, taxable property values would decrease.

Section 403.302 of the Government Code requires the Comptroller to conduct a property value study to determine the total taxable value for each school district. Total taxable value is an element in the state's school funding formula. Passage of this bill would reduce school district taxable values reported to the Commissioner of Education by the Comptroller.

Local Government Impact

Taxing units that currently tax personal property inventories defined and exempted by this proposal would experience a revenue loss as a result of passage of the bill.

Source Agencies: 304 Comptroller of Public Accounts

LBB Staff: JOB, SD, WP, DLBe