

AN ACT

relating to the exemption from ad valorem taxation of tangible personal property held temporarily at a location in this state for assembling, storing, manufacturing, processing, or fabricating purposes.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF TEXAS:

SECTION 1. Subchapter B, Chapter 11, Tax Code, is amended by adding Section 11.253 to read as follows:

Sec. 11.253. TANGIBLE PERSONAL PROPERTY IN TRANSIT. (a) In this section:

(1) "Dealer's motor vehicle inventory," "dealer's vessel and outboard motor inventory," "dealer's heavy equipment inventory," and "retail manufactured housing inventory" have the meanings assigned by Subchapter B, Chapter 23.

(2) "Goods-in-transit" means tangible personal property that:

(A) is acquired in or imported into this state to be forwarded to another location in this state or outside this state;

(B) is detained at a location in this state in which the owner of the property does not have a direct or indirect ownership interest for assembling, storing, manufacturing, processing, or fabricating purposes by the person who acquired or imported the property;

1 (C) is transported to another location in this
2 state or outside this state not later than 175 days after the date
3 the person acquired the property in or imported the property into
4 this state; and

5 (D) does not include oil, natural gas, petroleum
6 products, aircraft, dealer's motor vehicle inventory, dealer's
7 vessel and outboard motor inventory, dealer's heavy equipment
8 inventory, or retail manufactured housing inventory.

9 (3) "Location" means a physical address.

10 (4) "Petroleum product" means a liquid or gaseous
11 material that is an immediate derivative of the refining of oil or
12 natural gas.

13 (b) A person is entitled to an exemption from taxation of
14 the appraised value of that portion of the person's property that
15 consists of goods-in-transit.

16 (c) The exemption provided by Subsection (b) is subtracted
17 from the market value of the property determined under Section
18 23.01 or 23.12, as applicable, to determine the taxable value of the
19 property.

20 (d) Except as provided by Subsections (f) and (g), the chief
21 appraiser shall determine the appraised value of goods-in-transit
22 under this subsection. The chief appraiser shall determine the
23 percentage of the market value of tangible personal property owned
24 by the property owner and used for the production of income in the
25 preceding calendar year that was contributed by goods-in-transit.
26 For the first year in which the exemption applies to a taxing unit,
27 the chief appraiser shall determine that percentage as if the

1 exemption applied in the preceding year. The chief appraiser shall
2 apply that percentage to the market value of the property owner's
3 tangible personal property used for the production of income for
4 the current year to determine the appraised value of
5 goods-in-transit for the current year.

6 (e) In determining the market value of goods-in-transit
7 that in the preceding year were assembled, stored, manufactured,
8 processed, or fabricated in this state, the chief appraiser shall
9 exclude the cost of equipment, machinery, or materials that entered
10 into and became component parts of the goods-in-transit but were
11 not themselves goods-in-transit or that were not transported to
12 another location in this state or outside this state before the
13 expiration of 175 days after the date they were brought into this
14 state by the property owner or acquired by the property owner in
15 this state. For component parts held in bulk, the chief appraiser
16 may use the average length of time a component part was held by the
17 owner of the component parts during the preceding year at a location
18 in this state that was not owned by or under the control of the owner
19 of the component parts in determining whether the component parts
20 were transported to another location in this state or outside this
21 state before the expiration of 175 days.

22 (f) If the property owner was not engaged in transporting
23 goods-in-transit to another location in this state or outside this
24 state for the entire preceding year, the chief appraiser shall
25 calculate the percentage of the market value described in
26 Subsection (d) for the portion of the year in which the property
27 owner was engaged in transporting goods-in-transit to another

1 location in this state or outside this state.

2 (g) If the property owner or the chief appraiser
3 demonstrates that the method provided by Subsection (d)
4 significantly understates or overstates the market value of the
5 property qualified for an exemption under Subsection (b) in the
6 current year, the chief appraiser shall determine the market value
7 of the goods-in-transit to be exempt by determining, according to
8 the property owner's records and any other available information,
9 the market value of those goods-in-transit owned by the property
10 owner on January 1 of the current year, excluding the cost of
11 equipment, machinery, or materials that entered into and became
12 component parts of the goods-in-transit but were not themselves
13 goods-in-transit or that were not transported to another location
14 in this state or outside this state before the expiration of 175
15 days after the date they were brought into this state by the
16 property owner or acquired by the property owner in this state.

17 (h) The chief appraiser by written notice delivered to a
18 property owner who claims an exemption under this section may
19 require the property owner to provide copies of property records so
20 the chief appraiser can determine the amount and value of
21 goods-in-transit and that the location in this state where the
22 goods-in-transit were detained for assembling, storing,
23 manufacturing, processing, or fabricating purposes was not owned by
24 or under the control of the owner of the goods-in-transit. If the
25 property owner fails to deliver the information requested in the
26 notice before the 31st day after the date the notice is delivered to
27 the property owner, the property owner forfeits the right to claim

1 or receive the exemption for that year.

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

6 (j) The governing body of a taxing unit, in the manner
7 required for official action by the governing body, may provide for
8 the taxation of goods-in-transit exempt under Subsection (b) and
9 not exempt under other law. The official action to tax the
10 goods-in-transit must be taken before January 1 of the first tax
11 year in which the governing body proposes to tax goods-in-transit.
12 Before acting to tax the exempt property, the governing body of the
13 taxing unit must conduct a public hearing as required by Section
14 1-n(d), Article VIII, Texas Constitution. If the governing body of
15 a taxing unit provides for the taxation of the goods-in-transit as
16 provided by this subsection, the exemption prescribed by Subsection
17 (b) does not apply to that unit. The goods-in-transit remain
18 subject to taxation by the taxing unit until the governing body of
19 the taxing unit, in the manner required for official action,
20 rescinds or repeals its previous action to tax goods-in-transit, or
21 otherwise determines that the exemption prescribed by Subsection
22 (b) will apply to that taxing unit.

23 (k) A property owner who receives the exemption from
24 taxation provided by Subsection (b) is not eligible to receive the
25 exemption from taxation provided by Section 11.251 for the same
26 property.

27 SECTION 2. Section 26.012(15), Tax Code, is amended to read

as follows:

(15) "Lost property levy" means the amount of taxes levied in the preceding year on property value that was taxable in the preceding year but is not taxable in the current year because the property is exempt in the current year under a provision of this code other than Section 11.251 or 11.253, the property has qualified for special appraisal under Chapter 23 [~~of this code~~] in the current year, or the property is located in territory that has ceased to be a part of the unit since the preceding year.

SECTION 3. Section 403.302(d), Government Code, is amended to read as follows:

(d) For the purposes of this section, "taxable value" means the market value of all taxable property less:

(1) the total dollar amount of any residence homestead exemptions lawfully granted under Section 11.13(b) or (c), Tax Code, in the year that is the subject of the study for each school district;

(2) one-half of the total dollar amount of any residence homestead exemptions granted under Section 11.13(n), Tax Code, in the year that is the subject of the study for each school district;

(3) the total dollar amount of any exemptions granted before May 31, 1993, within a reinvestment zone under agreements authorized by Chapter 312, Tax Code;

(4) subject to Subsection (e), the total dollar amount of any captured appraised value of property that:

(A) is within a reinvestment zone created on or

1 before May 31, 1999, or is proposed to be included within the
2 boundaries of a reinvestment zone as the boundaries of the zone and
3 the proposed portion of tax increment paid into the tax increment
4 fund by a school district are described in a written notification
5 provided by the municipality or the board of directors of the zone
6 to the governing bodies of the other taxing units in the manner
7 provided by Section 311.003(e), Tax Code, before May 31, 1999, and
8 within the boundaries of the zone as those boundaries existed on
9 September 1, 1999, including subsequent improvements to the
10 property regardless of when made;

11 (B) generates taxes paid into a tax increment
12 fund created under Chapter 311, Tax Code, under a reinvestment zone
13 financing plan approved under Section 311.011(d), Tax Code, on or
14 before September 1, 1999; and

15 (C) is eligible for tax increment financing under
16 Chapter 311, Tax Code;

17 (5) for a school district for which a deduction from
18 taxable value is made under Subdivision (4), an amount equal to the
19 taxable value required to generate revenue when taxed at the school
20 district's current tax rate in an amount that, when added to the
21 taxes of the district paid into a tax increment fund as described by
22 Subdivision (4)(B), is equal to the total amount of taxes the
23 district would have paid into the tax increment fund if the district
24 levied taxes at the rate the district levied in 2005;

25 (6) the total dollar amount of any exemptions granted
26 under Section 11.251 or 11.253, Tax Code;

27 (7) the difference between the comptroller's estimate

1 of the market value and the productivity value of land that
2 qualifies for appraisal on the basis of its productive capacity,
3 except that the productivity value estimated by the comptroller may
4 not exceed the fair market value of the land;

5 (8) the portion of the appraised value of residence
6 homesteads of individuals who receive a tax limitation under
7 Section 11.26, Tax Code, on which school district taxes are not
8 imposed in the year that is the subject of the study, calculated as
9 if the residence homesteads were appraised at the full value
10 required by law;

11 (9) a portion of the market value of property not
12 otherwise fully taxable by the district at market value because of:

13 (A) action required by statute or the
14 constitution of this state that, if the tax rate adopted by the
15 district is applied to it, produces an amount equal to the
16 difference between the tax that the district would have imposed on
17 the property if the property were fully taxable at market value and
18 the tax that the district is actually authorized to impose on the
19 property, if this subsection does not otherwise require that
20 portion to be deducted; or

21 (B) action taken by the district under Subchapter
22 B or C, Chapter 313, Tax Code;

23 (10) the market value of all tangible personal
24 property, other than manufactured homes, owned by a family or
25 individual and not held or used for the production of income;

26 (11) the appraised value of property the collection of
27 delinquent taxes on which is deferred under Section 33.06, Tax

1 Code;

2 (12) the portion of the appraised value of property
3 the collection of delinquent taxes on which is deferred under
4 Section 33.065, Tax Code; and

5 (13) the amount by which the market value of a
6 residence homestead to which Section 23.23, Tax Code, applies
7 exceeds the appraised value of that property as calculated under
8 that section.

9 SECTION 4. This Act applies only to taxes imposed for a tax
10 year beginning on or after the effective date of this Act.

11 SECTION 5. This Act takes effect January 1, 2008.

President of the Senate

Speaker of the House

I certify that H.B. No. 621 was passed by the House on April 4, 2007, by the following vote: Yeas 134, Nays 0, 1 present, not voting; and that the House concurred in Senate amendments to H.B. No. 621 on May 23, 2007, by the following vote: Yeas 145, Nays 0, 2 present, not voting.

Chief Clerk of the House

I certify that H.B. No. 621 was passed by the Senate, with amendments, on May 18, 2007, by the following vote: Yeas 29, Nays 0.

Secretary of the Senate

APPROVED: _____

Date

Governor