

1-1 By: Chavez (Senate Sponsor - Duncan) H.B. No. 621
1-2 (In the Senate - Received from the House April 10, 2007;
1-3 April 11, 2007, read first time and referred to Committee on
1-4 Finance; May 15, 2007, reported adversely, with favorable
1-5 Committee Substitute by the following vote: Yeas 9, Nays 0;
1-6 May 15, 2007, sent to printer.)

1-7 COMMITTEE SUBSTITUTE FOR H.B. No. 621 By: Duncan

1-8 A BILL TO BE ENTITLED
1-9 AN ACT

1-10 relating to the exemption from ad valorem taxation of tangible
1-11 personal property held temporarily at a location in this state for
1-12 assembling, storing, manufacturing, processing, or fabricating
1-13 purposes.

1-14 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF TEXAS:

1-15 SECTION 1. Subchapter B, Chapter 11, Tax Code, is amended by
1-16 adding Section 11.253 to read as follows:

1-17 Sec. 11.253. TANGIBLE PERSONAL PROPERTY IN TRANSIT. (a) In
1-18 this section:

1-19 (1) "Dealer's motor vehicle inventory," "dealer's
1-20 vessel and outboard motor inventory," "dealer's heavy equipment
1-21 inventory," and "retail manufactured housing inventory" have the
1-22 meanings assigned by Subchapter B, Chapter 23.

1-23 (2) "Goods-in-transit" means tangible personal
1-24 property that:

1-25 (A) is acquired in or imported into this state to
1-26 be forwarded to another location in this state or outside this
1-27 state;

1-28 (B) is detained at a location in this state in
1-29 which the owner of the property does not have a direct or indirect
1-30 ownership interest for assembling, storing, manufacturing,
1-31 processing, or fabricating purposes by the person who acquired or
1-32 imported the property;

1-33 (C) is transported to another location in this
1-34 state or outside this state not later than 175 days after the date
1-35 the person acquired the property in or imported the property into
1-36 this state; and

1-37 (D) does not include oil, natural gas, petroleum
1-38 products, aircraft, dealer's motor vehicle inventory, dealer's
1-39 vessel and outboard motor inventory, dealer's heavy equipment
1-40 inventory, or retail manufactured housing inventory.

1-41 (3) "Location" means a physical address.

1-42 (4) "Petroleum product" means a liquid or gaseous
1-43 material that is an immediate derivative of the refining of oil or
1-44 natural gas.

1-45 (b) A person is entitled to an exemption from taxation of
1-46 the appraised value of that portion of the person's property that
1-47 consists of goods-in-transit.

1-48 (c) The exemption provided by Subsection (b) is subtracted
1-49 from the market value of the property determined under Section
1-50 23.01 or 23.12, as applicable, to determine the taxable value of the
1-51 property.

1-52 (d) Except as provided by Subsections (f) and (g), the chief
1-53 appraiser shall determine the appraised value of goods-in-transit
1-54 under this subsection. The chief appraiser shall determine the
1-55 percentage of the market value of tangible personal property owned
1-56 by the property owner and used for the production of income in the
1-57 preceding calendar year that was contributed by goods-in-transit.
1-58 For the first year in which the exemption applies to a taxing unit,
1-59 the chief appraiser shall determine that percentage as if the
1-60 exemption applied in the preceding year. The chief appraiser shall
1-61 apply that percentage to the market value of the property owner's
1-62 tangible personal property used for the production of income for
1-63 the current year to determine the appraised value of

2-1 goods-in-transit for the current year.

2-2 (e) In determining the market value of goods-in-transit
2-3 that in the preceding year were assembled, stored, manufactured,
2-4 processed, or fabricated in this state, the chief appraiser shall
2-5 exclude the cost of equipment, machinery, or materials that entered
2-6 into and became component parts of the goods-in-transit but were
2-7 not themselves goods-in-transit or that were not transported to
2-8 another location in this state or outside this state before the
2-9 expiration of 175 days after the date they were brought into this
2-10 state by the property owner or acquired by the property owner in
2-11 this state. For component parts held in bulk, the chief appraiser
2-12 may use the average length of time a component part was held by the
2-13 owner of the component parts during the preceding year at a location
2-14 in this state that was not owned by or under the control of the owner
2-15 of the component parts in determining whether the component parts
2-16 were transported to another location in this state or outside this
2-17 state before the expiration of 175 days.

2-18 (f) If the property owner was not engaged in transporting
2-19 goods-in-transit to another location in this state or outside this
2-20 state for the entire preceding year, the chief appraiser shall
2-21 calculate the percentage of the market value described in
2-22 Subsection (d) for the portion of the year in which the property
2-23 owner was engaged in transporting goods-in-transit to another
2-24 location in this state or outside this state.

2-25 (g) If the property owner or the chief appraiser
2-26 demonstrates that the method provided by Subsection (d)
2-27 significantly understates or overstates the market value of the
2-28 property qualified for an exemption under Subsection (b) in the
2-29 current year, the chief appraiser shall determine the market value
2-30 of the goods-in-transit to be exempt by determining, according to
2-31 the property owner's records and any other available information,
2-32 the market value of those goods-in-transit owned by the property
2-33 owner on January 1 of the current year, excluding the cost of
2-34 equipment, machinery, or materials that entered into and became
2-35 component parts of the goods-in-transit but were not themselves
2-36 goods-in-transit or that were not transported to another location
2-37 in this state or outside this state before the expiration of 175
2-38 days after the date they were brought into this state by the
2-39 property owner or acquired by the property owner in this state.

2-40 (h) The chief appraiser by written notice delivered to a
2-41 property owner who claims an exemption under this section may
2-42 require the property owner to provide copies of property records so
2-43 the chief appraiser can determine the amount and value of
2-44 goods-in-transit and that the location in this state where the
2-45 goods-in-transit were detained for assembling, storing,
2-46 manufacturing, processing, or fabricating purposes was not owned by
2-47 or under the control of the owner of the goods-in-transit. If the
2-48 property owner fails to deliver the information requested in the
2-49 notice before the 31st day after the date the notice is delivered to
2-50 the property owner, the property owner forfeits the right to claim
2-51 or receive the exemption for that year.

2-52 (i) Property that meets the requirements of this section
2-53 constitutes goods-in-transit regardless of whether the person who
2-54 owns the property on January 1 is the person who transports the
2-55 property to another location in this state or outside this state.

2-56 (j) The governing body of a taxing unit, in the manner
2-57 required for official action by the governing body, may provide for
2-58 the taxation of goods-in-transit exempt under Subsection (b) and
2-59 not exempt under other law. The official action to tax the
2-60 goods-in-transit must be taken before January 1 of the first tax
2-61 year in which the governing body proposes to tax goods-in-transit.
2-62 Before acting to tax the exempt property, the governing body of the
2-63 taxing unit must conduct a public hearing as required by Section
2-64 1-n(d), Article VIII, Texas Constitution. If the governing body of
2-65 a taxing unit provides for the taxation of the goods-in-transit as
2-66 provided by this subsection, the exemption prescribed by Subsection
2-67 (b) does not apply to that unit. The goods-in-transit remain
2-68 subject to taxation by the taxing unit until the governing body of
2-69 the taxing unit, in the manner required for official action,

3-1 rescinds or repeals its previous action to tax goods-in-transit, or
3-2 otherwise determines that the exemption prescribed by Subsection
3-3 (b) will apply to that taxing unit.

3-4 (k) A property owner who receives the exemption from
3-5 taxation provided by Subsection (b) is not eligible to receive the
3-6 exemption from taxation provided by Section 11.251 for the same
3-7 property.

3-8 SECTION 2. Section 26.012(15), Tax Code, is amended to read
3-9 as follows:

3-10 (15) "Lost property levy" means the amount of taxes
3-11 levied in the preceding year on property value that was taxable in
3-12 the preceding year but is not taxable in the current year because
3-13 the property is exempt in the current year under a provision of this
3-14 code other than Section 11.251 or 11.253, the property has
3-15 qualified for special appraisal under Chapter 23 [~~of this code~~] in
3-16 the current year, or the property is located in territory that has
3-17 ceased to be a part of the unit since the preceding year.

3-18 SECTION 3. Section 403.302(d), Government Code, is amended
3-19 to read as follows:

3-20 (d) For the purposes of this section, "taxable value" means
3-21 the market value of all taxable property less:

3-22 (1) the total dollar amount of any residence homestead
3-23 exemptions lawfully granted under Section 11.13(b) or (c), Tax
3-24 Code, in the year that is the subject of the study for each school
3-25 district;

3-26 (2) one-half of the total dollar amount of any
3-27 residence homestead exemptions granted under Section 11.13(n), Tax
3-28 Code, in the year that is the subject of the study for each school
3-29 district;

3-30 (3) the total dollar amount of any exemptions granted
3-31 before May 31, 1993, within a reinvestment zone under agreements
3-32 authorized by Chapter 312, Tax Code;

3-33 (4) subject to Subsection (e), the total dollar amount
3-34 of any captured appraised value of property that:

3-35 (A) is within a reinvestment zone created on or
3-36 before May 31, 1999, or is proposed to be included within the
3-37 boundaries of a reinvestment zone as the boundaries of the zone and
3-38 the proposed portion of tax increment paid into the tax increment
3-39 fund by a school district are described in a written notification
3-40 provided by the municipality or the board of directors of the zone
3-41 to the governing bodies of the other taxing units in the manner
3-42 provided by Section 311.003(e), Tax Code, before May 31, 1999, and
3-43 within the boundaries of the zone as those boundaries existed on
3-44 September 1, 1999, including subsequent improvements to the
3-45 property regardless of when made;

3-46 (B) generates taxes paid into a tax increment
3-47 fund created under Chapter 311, Tax Code, under a reinvestment zone
3-48 financing plan approved under Section 311.011(d), Tax Code, on or
3-49 before September 1, 1999; and

3-50 (C) is eligible for tax increment financing under
3-51 Chapter 311, Tax Code;

3-52 (5) for a school district for which a deduction from
3-53 taxable value is made under Subdivision (4), an amount equal to the
3-54 taxable value required to generate revenue when taxed at the school
3-55 district's current tax rate in an amount that, when added to the
3-56 taxes of the district paid into a tax increment fund as described by
3-57 Subdivision (4)(B), is equal to the total amount of taxes the
3-58 district would have paid into the tax increment fund if the district
3-59 levied taxes at the rate the district levied in 2005;

3-60 (6) the total dollar amount of any exemptions granted
3-61 under Section 11.251 or 11.253, Tax Code;

3-62 (7) the difference between the comptroller's estimate
3-63 of the market value and the productivity value of land that
3-64 qualifies for appraisal on the basis of its productive capacity,
3-65 except that the productivity value estimated by the comptroller may
3-66 not exceed the fair market value of the land;

3-67 (8) the portion of the appraised value of residence
3-68 homesteads of individuals who receive a tax limitation under
3-69 Section 11.26, Tax Code, on which school district taxes are not

4-1 imposed in the year that is the subject of the study, calculated as
4-2 if the residence homesteads were appraised at the full value
4-3 required by law;

4-4 (9) a portion of the market value of property not
4-5 otherwise fully taxable by the district at market value because of:

4-6 (A) action required by statute or the
4-7 constitution of this state that, if the tax rate adopted by the
4-8 district is applied to it, produces an amount equal to the
4-9 difference between the tax that the district would have imposed on
4-10 the property if the property were fully taxable at market value and
4-11 the tax that the district is actually authorized to impose on the
4-12 property, if this subsection does not otherwise require that
4-13 portion to be deducted; or

4-14 (B) action taken by the district under Subchapter
4-15 B or C, Chapter 313, Tax Code;

4-16 (10) the market value of all tangible personal
4-17 property, other than manufactured homes, owned by a family or
4-18 individual and not held or used for the production of income;

4-19 (11) the appraised value of property the collection of
4-20 delinquent taxes on which is deferred under Section 33.06, Tax
4-21 Code;

4-22 (12) the portion of the appraised value of property
4-23 the collection of delinquent taxes on which is deferred under
4-24 Section 33.065, Tax Code; and

4-25 (13) the amount by which the market value of a
4-26 residence homestead to which Section 23.23, Tax Code, applies
4-27 exceeds the appraised value of that property as calculated under
4-28 that section.

4-29 SECTION 4. This Act applies only to taxes imposed for a tax
4-30 year beginning on or after the effective date of this Act.

4-31 SECTION 5. This Act takes effect January 1, 2008.

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