

By: Duncan

S.B. No. 501

A BILL TO BE ENTITLED

AN ACT

1
2 relating to the exemption from ad valorem taxation of tangible
3 personal property held temporarily at a location in this state for
4 assembling, storing, manufacturing, processing, or fabricating
5 purposes.

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

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

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

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

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

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

20 (B) is detained at a location in this state in
21 which the owner of the property does not have a direct or indirect
22 ownership interest for assembling, storing, manufacturing,
23 processing, or fabricating purposes by the person who acquired or
24 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) This section applies only to property located in a
14 county:

15 (1) with a population of 650,000 or more; and

16 (2) adjacent to an international border.

17 (c) A person is entitled to an exemption from taxation of
18 the appraised value of that portion of the person's property that
19 consists of goods-in-transit.

20 (d) The exemption provided by Subsection (c) is subtracted
21 from the market value of the property determined under Section
22 23.01 or 23.12, as applicable, to determine the taxable value of the
23 property.

24 (e) Except as provided by Subsections (g) and (h), the chief
25 appraiser shall determine the appraised value of goods-in-transit
26 under this subsection. The chief appraiser shall determine the
27 percentage of the market value of tangible personal property owned

1 by the property owner and used for the production of income in the
2 preceding calendar year that was contributed by goods-in-transit.
3 For the first year in which the exemption applies to a taxing unit,
4 the chief appraiser shall determine that percentage as if the
5 exemption applied in the preceding year. The chief appraiser shall
6 apply that percentage to the market value of the property owner's
7 tangible personal property used for the production of income for
8 the current year to determine the appraised value of
9 goods-in-transit for the current year.

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

26 (g) If the property owner was not engaged in transporting
27 goods-in-transit to another location in this state or outside this

1 state for the entire preceding year, the chief appraiser shall
2 calculate the percentage of the market value described in
3 Subsection (e) for the portion of the year in which the property
4 owner was engaged in transporting goods-in-transit to another
5 location in this state or outside this state.

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

21 (i) The chief appraiser by written notice delivered to a
22 property owner who claims an exemption under this section may
23 require the property owner to provide copies of property records so
24 the chief appraiser can determine the amount and value of
25 goods-in-transit and that the location in this state where the
26 goods-in-transit were detained for assembling, storing,
27 manufacturing, processing, or fabricating purposes was not owned by

1 or under the control of the owner of the goods-in-transit. If the
2 property owner fails to deliver the information requested in the
3 notice before the 31st day after the date the notice is delivered to
4 the property owner, the property owner forfeits the right to claim
5 or receive the exemption for that year.

6 (j) Property that meets the requirements of this section
7 constitutes goods-in-transit regardless of whether the person who
8 owns the property on January 1 is the person who transports the
9 property to another location in this state or outside this state.

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

27 (l) A property owner who receives the exemption from

1 taxation provided by Subsection (c) is not eligible to receive the
2 exemption from taxation provided by Section 11.251 for the same
3 property.

4 SECTION 2. Section 26.012(15), Tax Code, is amended to read
5 as follows:

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

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

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

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

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

26 (3) the total dollar amount of any exemptions granted
27 before May 31, 1993, within a reinvestment zone under agreements

1 authorized by Chapter 312, Tax Code;

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

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

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

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

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

1 levied taxes at the rate the district levied in 2005;

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

4 (7) the difference between the comptroller's estimate
5 of the market value and the productivity value of land that
6 qualifies for appraisal on the basis of its productive capacity,
7 except that the productivity value estimated by the comptroller may
8 not exceed the fair market value of the land;

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

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

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

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

27 (10) the market value of all tangible personal

1 property, other than manufactured homes, owned by a family or
2 individual and not held or used for the production of income;

3 (11) the appraised value of property the collection of
4 delinquent taxes on which is deferred under Section 33.06, Tax
5 Code;

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

9 (13) the amount by which the market value of a
10 residence homestead to which Section 23.23, Tax Code, applies
11 exceeds the appraised value of that property as calculated under
12 that section.

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

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