

BILL ANALYSIS

C.S.H.B. 2810
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Ways & Means
Committee Report (Substituted)

BACKGROUND AND PURPOSE

Some dairies in Texas have shifted from the traditional dairy farm to more efficient systems that use complex structures in place of the traditional barns and milking parlors. These free-stall dairy barns can incorporate various features such as a maternity barn, where dairy calves are born and cared for, as well as commodity structures used to measure, mix, and process feed for dairy cows. The increasing use of nontraditional methods and systems has called into question whether the tax exemption for other, more traditional, items of agriculture is applicable to some of the new structures and features that are transforming the dairy industry. There is concern that current law is not clear on the matter, although many in the industry understand how the taxability of these structures is determined by the comptroller of public accounts in actual practice. C.S.H.B. 2810 seeks to address such questions by clarifying that the tax exemption for agricultural items includes certain types of personal property incorporated into or attached to special-purpose agricultural structures, such as special-purpose dairy structures and by codifying what many consider to be current practice regarding the taxation of these structures.

RULEMAKING AUTHORITY

It is the committee's opinion that this bill does not expressly grant any additional rulemaking authority to a state officer, department, agency, or institution.

ANALYSIS

C.S.H.B. 2810 reenacts and amends Section 151.316(a), Tax Code, as amended by Chapters 1162 (H.B. 3144) and 1373 (S.B. 958), Acts of the 81st Legislature, Regular Session, 2009, to exempt tangible personal property incorporated into or attached to a structure that is located on a commercial dairy farm, is used or employed exclusively for the production of milk, and is a free-stall dairy barn, a dairy structure used solely for maternity purposes, or a dairy commodity structure used as a batch plant to measure, mix, and process finished feed for dairy cows from the state limited sales, excise, and use tax. The bill establishes that to the extent of any conflict, its provisions prevail over another act of the 82nd Legislature, Regular Session, 2011, relating to nonsubstantive additions to and corrections in enacted codes.

EFFECTIVE DATE

September 1, 2011.

COMPARISON OF ORIGINAL AND SUBSTITUTE

C.S.H.B. 2810 differs from the original, in the bill provision exempting certain tangible property incorporated or attached to certain specified dairy structures from the state limited sales, excise, and use tax, by specifying a structure that is located on a commercial dairy farm and is used or employed exclusively for the production of milk, whereas the original contains no such specification.

C.S.H.B. 2810 omits a provision included in the original prohibiting the bill's provisions from being cited or utilized for the purpose of asserting that the changes made by the bill indicate that a tax liability was properly accrued for any prior period.

C.S.H.B. 2810 contains a provision not included in the original establishing that to the extent of any conflict, its provisions prevail over another act of the 82nd Legislature, Regular Session, 2011, relating to nonsubstantive additions to and corrections in enacted codes.

C.S.H.B. 2810 differs from the original in nonsubstantive ways reflective of certain bill drafting conventions.